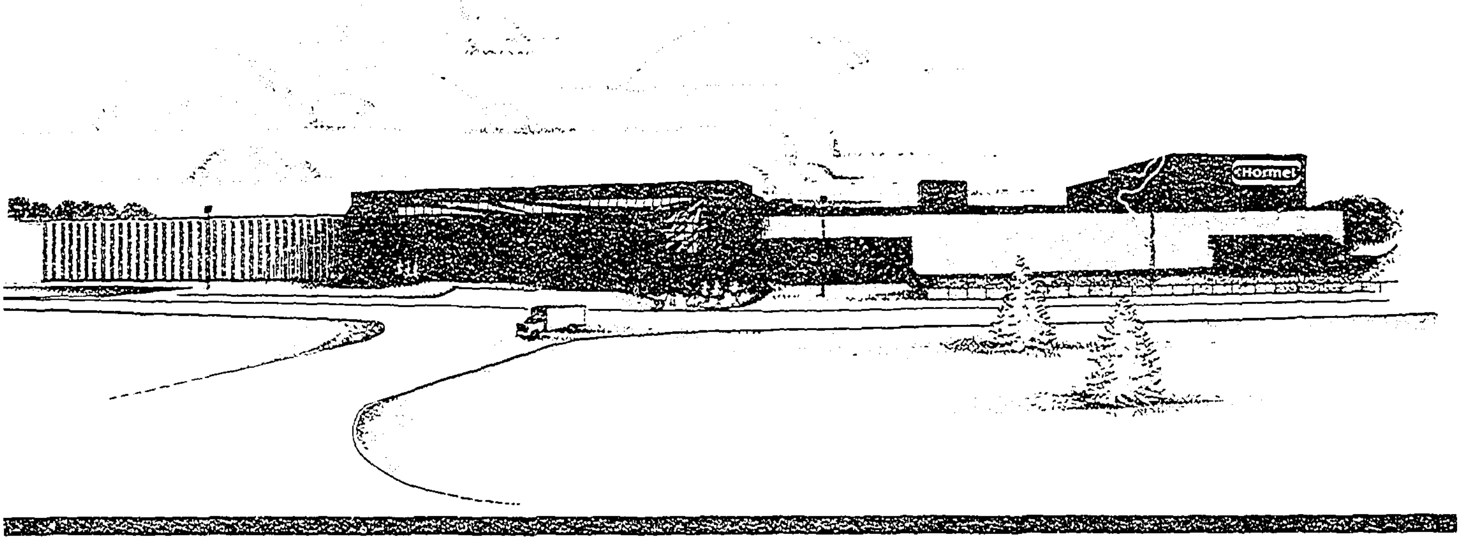
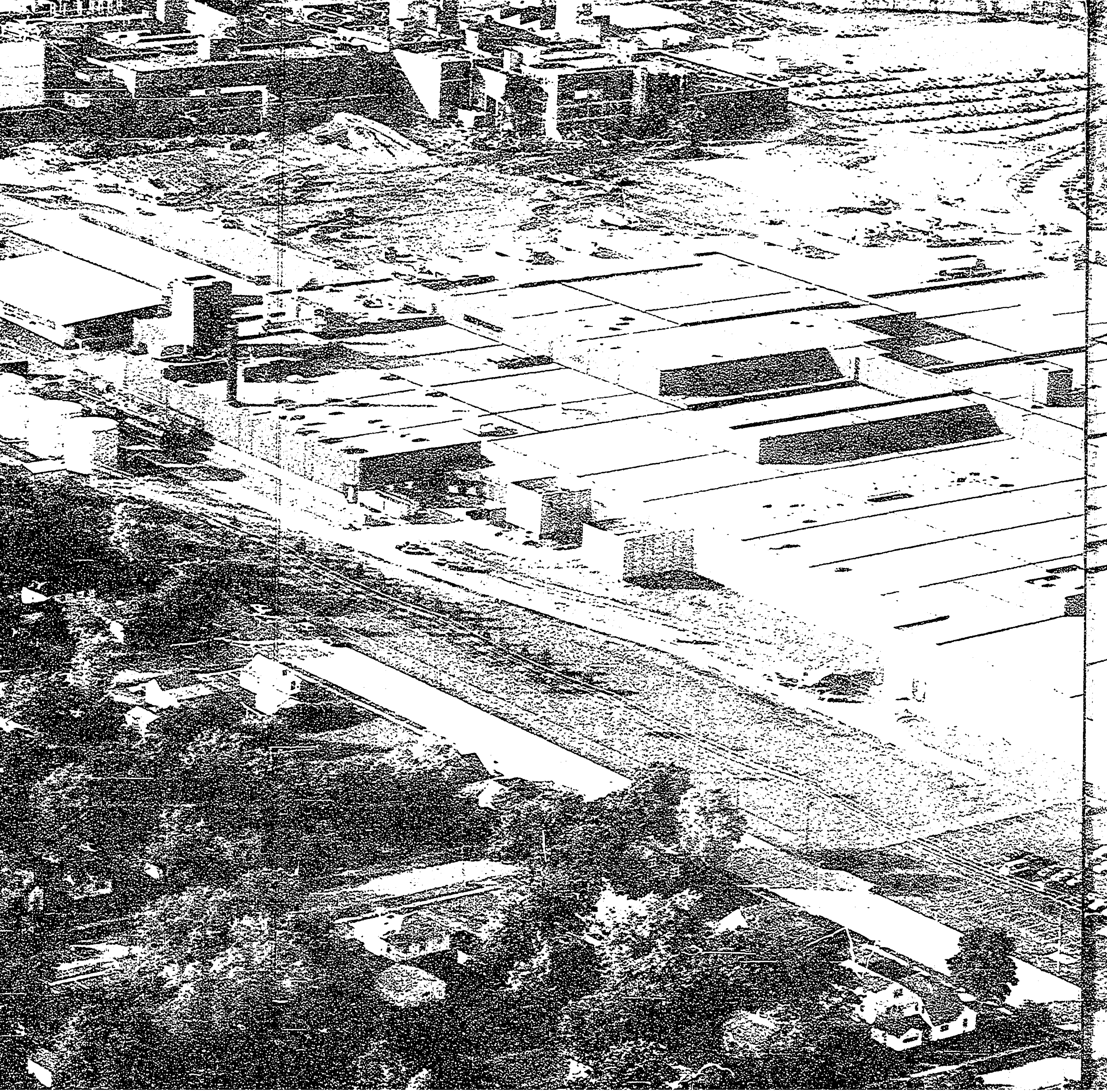
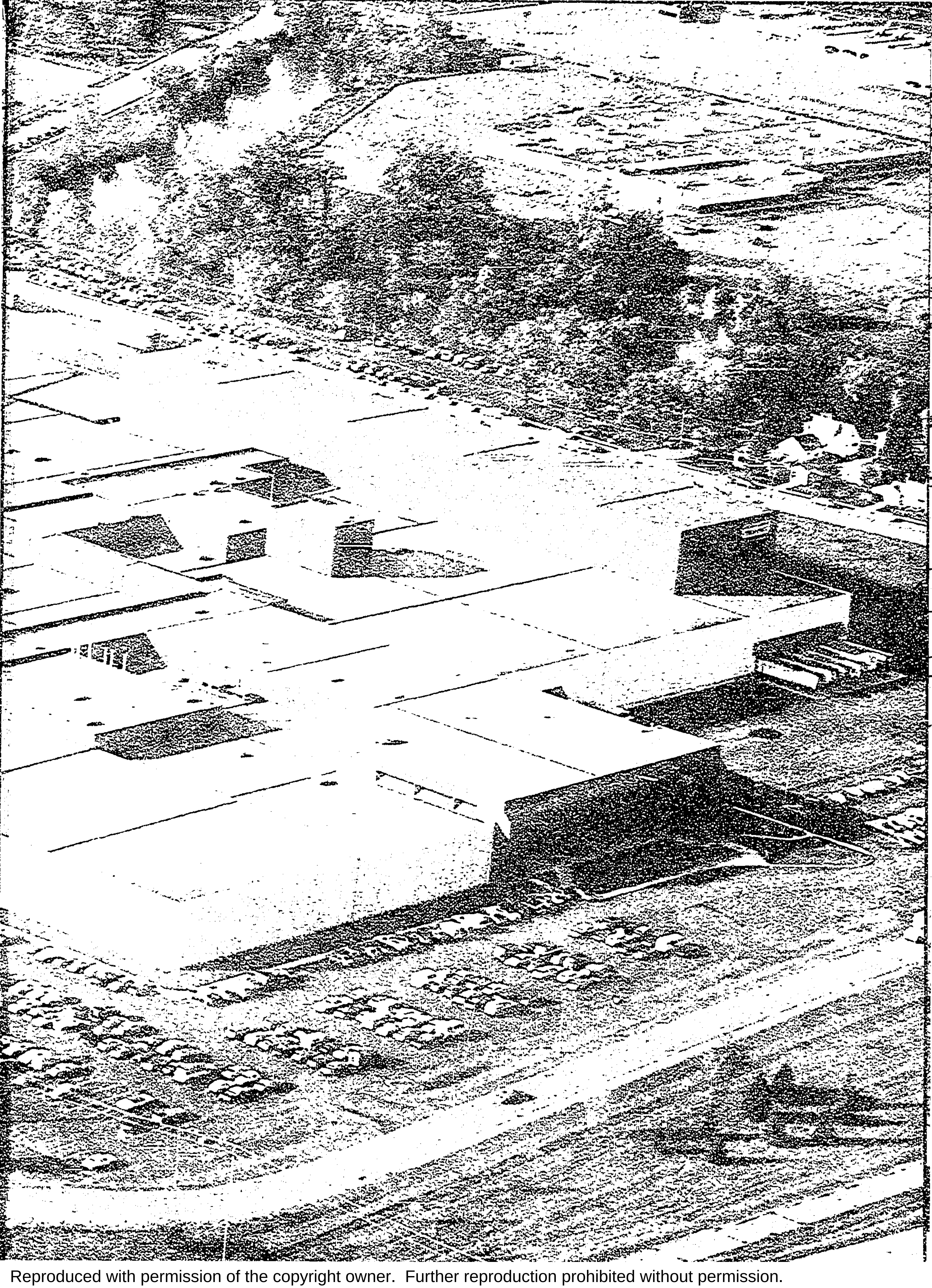
ANNUAL REPORT GEO. A. HORMEL & COMPANY / AUSTIN, MN 55912 / *FISCAL YEAR ENDED OCT. 30, 1982*







Stockholder Data

Corporate Headquarters
Geo. A. Hormel & Company
P.O. Box 800
Austin, Minnesota 55912

About Your Stock

Geo. A. Hormel & Company common stock is listed on the American Stock Exchange. The stock is quoted as "Horml" in the stock table listings which appear in daily newspapers. The abbreviated trading symbol is "HRL."

Auditors
Ernst & Whinney
1400 Pillsbury Center
Minneapolis, Minnesota 55402

Transfer Agent
The First National Bank of Chicago
One First National Plaza
Chicago, Illinois 60670

Communications concerning change in registered ownership and lost or stolen certificates should be directed to the Transfer Agent above.

Registrar
Harris Trust and Savings Bank
111 West Monroe Street
Chicago, Illinois 60690

Stockholder Inquiries

Communications concerning dividends and change of address should be directed to Geo. A. Hormel & Company, % Corporate Secretary, P.O. Box 800, Austin, Minnesota 55912.

Reports and Publications

This Annual Report is just one of the sources of information about the Company available to stockholders and the general public. Some of the other sources include:

Form 10-K to the Securities and Exchange Commission

Available in January, this Report provides further details of Geo. A. Hormel & Company's business. Stockholders of record and/or beneficial owners of the Company's stock may obtain, without charge, a copy of the most recent Form 10-K. A written request should be directed to Geo. A. Hormel & Company, % Director of Communications, P.O. Box 800, Austin, Minnesota 55912.

Notice of Annual Meeting and Proxy Statement

Mailed with the Company's Annual Report to each stockholder in early January, this publication provides biographies of the nominees for the Board of Directors, details of the shares of Hormel common stock they own, and a description of their principal affiliations with other companies or organizations. The Proxy Statement also describes the items of business to be voted on at the Annual Meeting.

Quarterly Reports

Mailed to each stockholder in February, May, August and November, these reports contain financial results and other current news about the Company.

Report on Annual Meeting of Stockholders

Mailed to each stockholder in February, shortly after the Annual Meeting, it summarizes the activities which transpired, providing a complete text of the president's address and the results of voting on items of business.

Dividend Calendar

Quarterly dividends will be mailed so as to reach stockholders of Geo. A. Hormel & Company on the fifteenth of February, May, August and November.

Notice of Annual Meeting

The next Annual Meeting of the Company's stockholders will be held Tuesday, January 25, 1983, in the Austin High School Auditorium. The meeting will convene at 8:00 p.m. A formal notice of the meeting and proxy statement and proxy card are being sent to stockholders with this Annual Report. It will be mailed on or about January 3, 1983.

Corporate Profile

Headquartered in Austin, Minn., Geo. A. Hormel & Company is a federally-inspected food processor which slaughters livestock for processing into meat and meat products for sale at the wholesale trade level

The principal products of the Company are meat and meat products — boneless hams, sausage items, wieners, sliced bacon, luncheon meats, stews, chilies, hash and meat spreads — which are sold fresh, frozen, cured, smoked, cooked or canned.

The Company's products are sold in all 50 states by salesmen operating in assigned territories coordinated from district sales offices located in most of the larger cities and by brokers and distributors who handle carload lot sales.

Hormel operates 17 plants for processing and has 12 distribution plants located along the West Coast, South Atlantic Coast, Gulf Coast and Hawaii. Hormel also operates in international areas, including the Philippines, Japan, Dominican Republic and in various European countries through Hormel International, a wholly-owned subsidiary.

There are numerous trademarks which are important to the Company's business. The more significant, commonly-known trademarks are *Hormel, SPAM, Dinty Moore, Mary Kitchen, Little Sizzlers, Cure 81, Black Label, Di Lusso, Curemaster* and *Wranglers*. Product brand names italicized in this 1982 Annual Report to Stockholders are trademarks of Geo. A. Hormel & Company or its subsidiaries.

Hormel employs 7,000 people and has approximately 5,200 stockholders.

Financial Highlights

	1982	1981
Net Sales	$1,426,596,000	$1,433,965,000
Net Earnings	$ 28,051,000	$ 27,283,000
Per Share of Common Stock	$ 2.92	$ 2.84
Percent of Sales	1.97%	1.90%
Dividends to Stockholders	$ 9,222,000	$ 8,838,000
Per Share of Common Stock	$ .96	$ .92
Capital Additions	$ 66,344,000	$ 82,522,000
Depreciation	$ 17,587,000	$ 13,887,000
Working Capital	$ 69,527,000	$ 59,440,000
Stockholders' Investment	$ 245,570,000	$ 226,741,000

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The President's Letter


R L Knowlton.

To Our Stockholders:

This past fiscal year will be recorded within the corporation as one of "great accomplishment" — possibly the most significant in our long history. The timely completion and the successful start-up of the new Austin (Minn.) plant, the largest capital commitment ever, will have a major impact on the Company's future.

Despite increases in hog prices to unprecedented levels and the anticipated but sizable expenses involved in the transition from the old- to the new Austin replacement plant, the Company ended fiscal 1982 with strong earnings that exceeded the previous year. This fine performance attests to our ability to succeed in the face of difficult economic conditions. It is a tribute to our people.

The Company's near-record sales, attained during a period when consumers were experiencing reduced disposable incomes, is a further demonstration of our strong consumer franchise.

It should be noted that earnings during the past two years have benefited from investment tax credits and capitalization of interest. With most major projects now completed, those factors will not be present in the current fiscal year.

Capital additions were the second highest in the Company's history, exceeded only by the previous year's record $82.5 million. The fact that Hormel has performed better than others in the food industry can be related to the substantial investments made to modernize and expand our physical facilities.

In addition to the newly-opened Austin plant, other major projects in 1982 included the opening of a new distribution plant in the San Fran-

cisco, Calif., area; construction of a major addition to the Beloit (Wis.) grocery products plant; enlargement of the Dallas (Texas) distribution plant; renovation of the Los Angeles (Calif) distribution plant; completion of a 110,000 square foot addition to the Ottumwa (Iowa) plant, and a 28,500 square foot expansion of the Vista International Packaging, Inc., facility in Kenosha, Wis.

Major portions of the Fort Dodge (Iowa) plant were permanently closed in mid-June. This difficult decision was reached only after studies indicated that the plant was outmoded and without prospect of meeting the Company's current high standards.

During the year, the Albany (Ga.) distribution plant was closed. These operations were consolidated with other distribution facilities in Atlanta, Ga., and Montgomery and Mobile, Ala.

The Company's research effort to introduce major improvements in traditional hog processing operations continues. The first phase of this project will be implemented in early 1983. When fully operational, increased processing efficiencies for the Company, as well as improved quality advantages for the consumer, will result.

Dividend rates were increased for the 14th consecutive year. This brought the indicated annual dividend for common stock to $.96 per share.

Late in the year, Hormel made a public offering of $50 million in Three-Year Extendible Notes. Proceeds from the sale are being used to reduce short-term borrowings.

To provide for continuity and progression of senior management, a number of executive appointments were made during the year. James A. Silbaugh was elected a senior vice-president. He has assumed marketing responsibilities for the Meat Products Group. Robert F. Potach was advanced to senior vice-president for administrative functions. Elected Company vice-presidents were James E. Hall, Grocery Products Division; Robert G. Wells, Pork and Beef Divisions, and Robert J. Thatcher, whose principal responsibility involves tax administration. Richard W. Schlange was designated the Company controller. Also in the year, William R. Hunter, group vice-president, was given the added responsibility of supervising the Company's major plants.

Donald S. Sorenson, vice-president of the Beef Division, retired early in the 1982 fiscal year to complete a productive and faithful career of service to the organization.

The difficulties experienced this past fiscal year in procuring adequate hog supplies are expected to persist throughout the first half of the current year. However, projections indicate that increased numbers of hogs will progressively be available during the last six months of fiscal 1983. It is anticipated that the improved supply factor will have a favorable influence on Company operating results.

With new and modern physical facilities now in place and projects underway to provide continued improvements, optimism regarding Company prospects for success during the balance of this decade is prevalent throughout the organization. In our opinion, it is justified.

R. L. KNOWLTON
President
Chief Executive Officer


Hormel
Sliced Beef

The Year in Review

Geo. A. Hormel & Company's underlying strength and resiliency were reflected by its fiscal 1982 performance and year-end financial position. Although a year of reduced dollar sales, net income did increase slightly over the previous fiscal year. These financial results were quite respectable, if not fully satisfying, in light of the soft economic conditions prevailing throughout the year and the significant costs of actions taken to improve the Company's long-term performance.

Dollar Sales Decline

Sales for the 52-week 1982 fiscal year amounted to $1,426,596,000, an actual decline of $7,370,000, or 0.5 percent, from the $1,433,966,000 sales record established during the 53-week year in 1981. A drop in sales tonnage was offset, in part, by higher prices in the marketplace.

These higher prices were largely necessitated by the steep rise in raw material costs which reached unprecedented levels during the year. Live hog prices escalated from a range of $40- to more than $60 per hundredweight and occurred at a particularly inopportune time when much of the nation was still experiencing the lasting effects of a long and deep recession.

Fiscal 1983 is expected to offer improvement in both the numbers of hogs available to the industry and in the nation's economic climate.

Net Earnings Increase

Net earnings for the year totaled $28,051,000. This is an increase of $768,000, or 2.8 percent, over fiscal 1981 earnings of $27,283,000. Earnings for the year were third only to 1979 and 1980 when the Company reported net income of $29,970,000 and $32,758,000, respectively. Earnings per share increased 2.8 percent to $2.92 from the $2.84 earned in fiscal 1981.

The return on dollar of sales was 1.97 cents as compared to 1.90 cents in 1981.

A highly-competitive environment in the meat business, combined with higher-priced raw materials and consumer resistance to increased prices, made it difficult to preserve desirable margins on Company products. Reductions in consumers' disposable incomes for food also negatively impacted the Company's 1982 sales and earnings performance.

Earnings before taxes were again enhanced by $10,953,000 of interest expense capitalized in connection with the Company's major capital investment projects. The completion of construction of the Austin (Minn.) plant, combined with the decision not to proceed with any additional major capital additions during 1983, means that interest expense will once again impact Company earnings.

Depreciation expense will increase by over $7 million in 1983. However, cash flow will be favorably affected by the accelerated depreciation for tax purposes permitted by the Accelerated Cost Recovery provisions of the Economic Recovery Tax Act of 1981.

Capital Investments

The Company's long-term program of capital investments continued in 1982 with the sum of $55,391,000 spent on property, plant and equipment. This represented the second highest annual expenditure in the Company's 91-year history, exceeded only by the record $74,522,000 spent in 1981.

As covered in other sections of this 1982 Annual Report, the Company's network of plants and equipment now ranks among the most modern in the entire meat industry. As such, capital expenditures in fiscal 1983 will be significantly below the level of previous years. This decline reflects the completion of a comprehensive expansion and modernization program which has provided the Company with important additional manufacturing capacity, improved operating efficiencies and increased productivity.

Capital investments in the immediate future will be directed to the further automation of existing manufacturing processes. Providing additional efficiencies will be the move to double-shifting of departments and operations in major Company processing plants.

COMMON STOCK DATA

The high and low bid price of Geo A Hormel & Company's common stock during each quarter of 1982 and 1981, respectively, and the dividends declared per share are shown below Quotations were obtained from *The Wall Street Journal*.

	1982		1981	
Fiscal Year	*Cash Dividends Declared*	*Market Price Range*	*Cash Dividends Declared*	*Market Price Range*
First Quarter	$.24	$15⅝-19½	$.23	$ 14-19⅛
Second Quarter	.24	16⅛-24⅛	.23	15⅛-17½
Third Quarter	.24	17¾-23¾	.23	15⅝-19½
Fourth Quarter	.24	17½-24½	.23	14¼-19⅛

The approximate number of shareholders at October 30, 1982 was 5,256

Dividends to Stockholders

Fiscal 1982 also served to augment Geo. A. Hormel & Company's long-term dividend record. The annual dividend on the Company's common stock was increased 4.3 percent from $.92 to $.96 per share. The new quarterly rate of 24 cents a share became effective February 15, 1982, and was paid to those who were stockholders of record as of January 23, 1982. The new dividend rate, the 14th consecutive annual increase, extends to 54 years the Company's record of uninterrupted quarterly cash dividends. This is one of the longest records among companies listed on the American Stock Exchange.

Total dividends paid and accrued during fiscal 1982 amounted to $9,222,000, compared with $8,838,000 the prior year.

Pension Trusts

The Company's provision for current and past services under the Employee Pension Trusts was $17,900,000 for the year. Past service costs are amortized over a period of 30 years from the date of inception or date of amendment of the plans.

Stockholders' Investment

At October 30, 1982, stockholders' investment amounted to $245,570,000, an increase of $18,829,000, or 8.3 percent, over the 1981 year-end total. The book value of the 9,606,516 shares of common stock outstanding rose $1.96 to $25.56 at the end of 1982 from $23.60 for the preceding year.

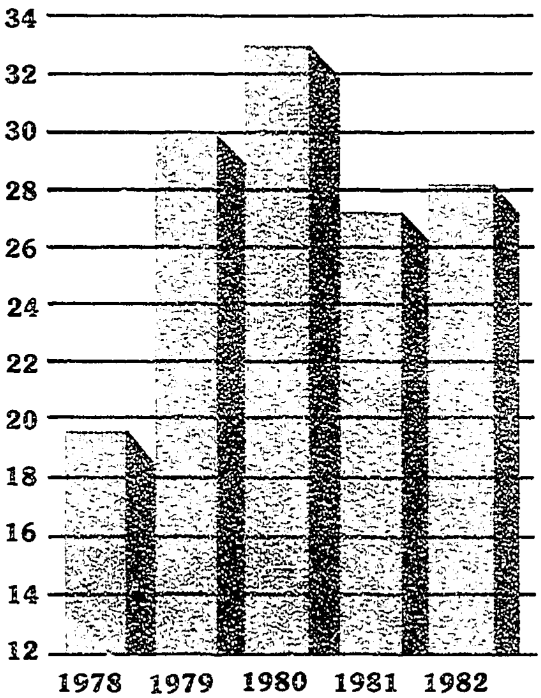
Total assets reached a new high of $488,859,000, while working capital advanced to $69,527,000

Corporate Debt

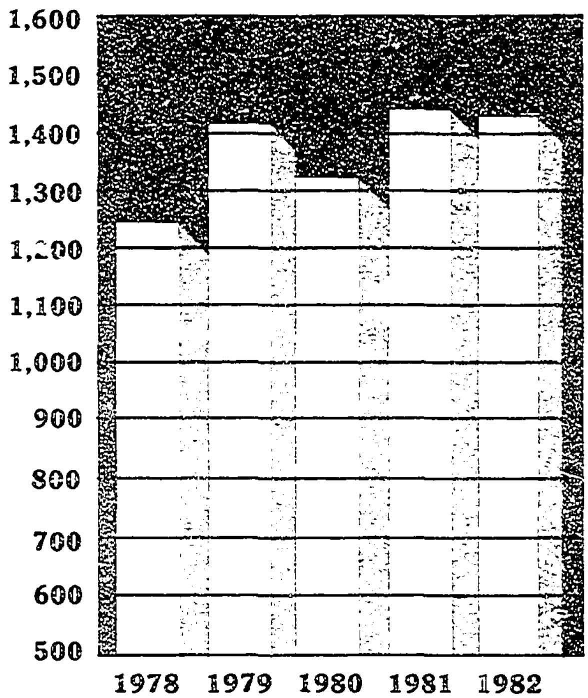
In late fiscal 1982, the Company sold $50 million of Three-Year Extendible Notes with net proceeds from the sale used to repay commercial paper sold principally to finance capital expenditures.

The Notes bear interest at an annual rate of 13 25% through August 31, 1985. The interest rate will be adjusted by the Company every three years, on September 1, 1985, 1988, and 1991, to a rate no lower than 102% of three-year treasury securities. The Company also has the right to redeem the Notes, all or in part, on the date of any interest rate adjustment at 100% of the principal amount plus accrued interest. Holders of the Notes have the same option. Unless previously redeemed, the Notes mature September 1, 1994.

NET EARNINGS
(Millions of Dollars)



NET SALES
(Millions of Dollars)



Hormel continues to sell prime commercial paper as needed for working capital. The $75 million revolving credit/term loan agreement executed in 1981 with three of the Company's principal banks has been reduced to $65 million.

Hormel Employees

At a majority of the Company's plants, production employees are represented by local unions affiliated with the United Food & Commercial Workers. In December, 1981, an early agreement was reached with the various locals on contracts due to expire September 1, 1982. The existing contracts were amended to pay the remaining cost-of-living adjustments as a bonus and not as an established part of wages.

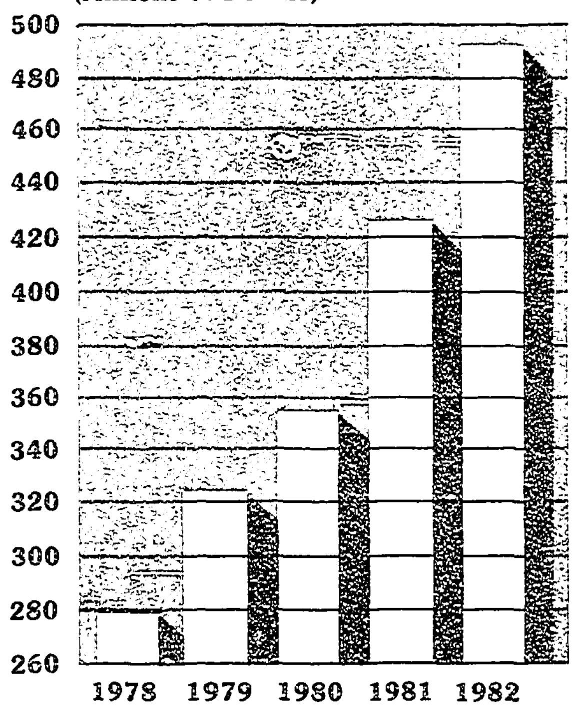
Settlements for new contracts scheduled to begin September 1, 1982, suspended the cost-of-living provision for the life of the three-year contract with no increase in wages provided for the first two years. A wage re-opener is scheduled for September 1, 1984.

While these early contract agreements should provide for stabilized labor relations and direct wage costs, competing companies in the industry have followed with similar settlement patterns. Moreover, other low-cost producers, both union- and non-union, have curtailed wage increases and, in some instances, have been able to roll back both wage and benefit packages The Company is continually challenged to offset this differential by efforts to lower its operating costs and increasing the productivity of its employees.

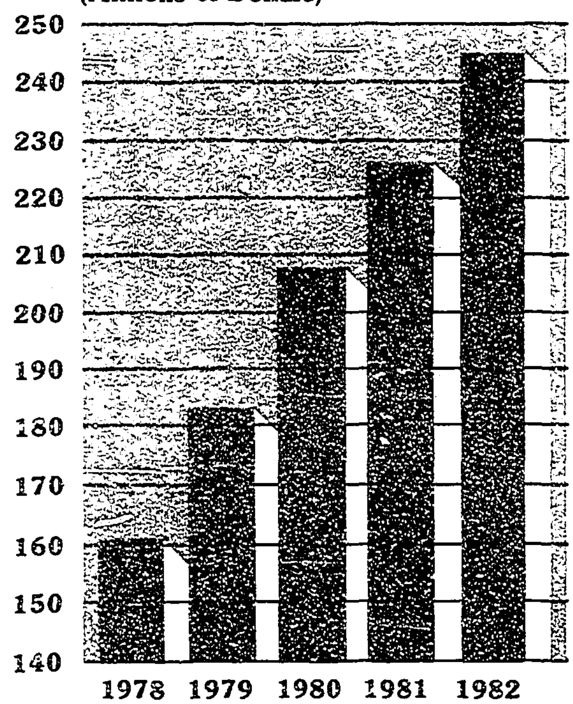
The success enjoyed by Geo. A. Hormel & Company is due in large measure to its employees and to their dedication and loyalty. The Company has been especially pleased with the cooperation and energies of the Austin (Minn.) plant employees — management, clerical and production alike — all of whom put forth their very best efforts in the mammoth transition from the old- to the new replacement facility. Because of this support, and that of all other employees, we are confident that the best years for the Company are still ahead

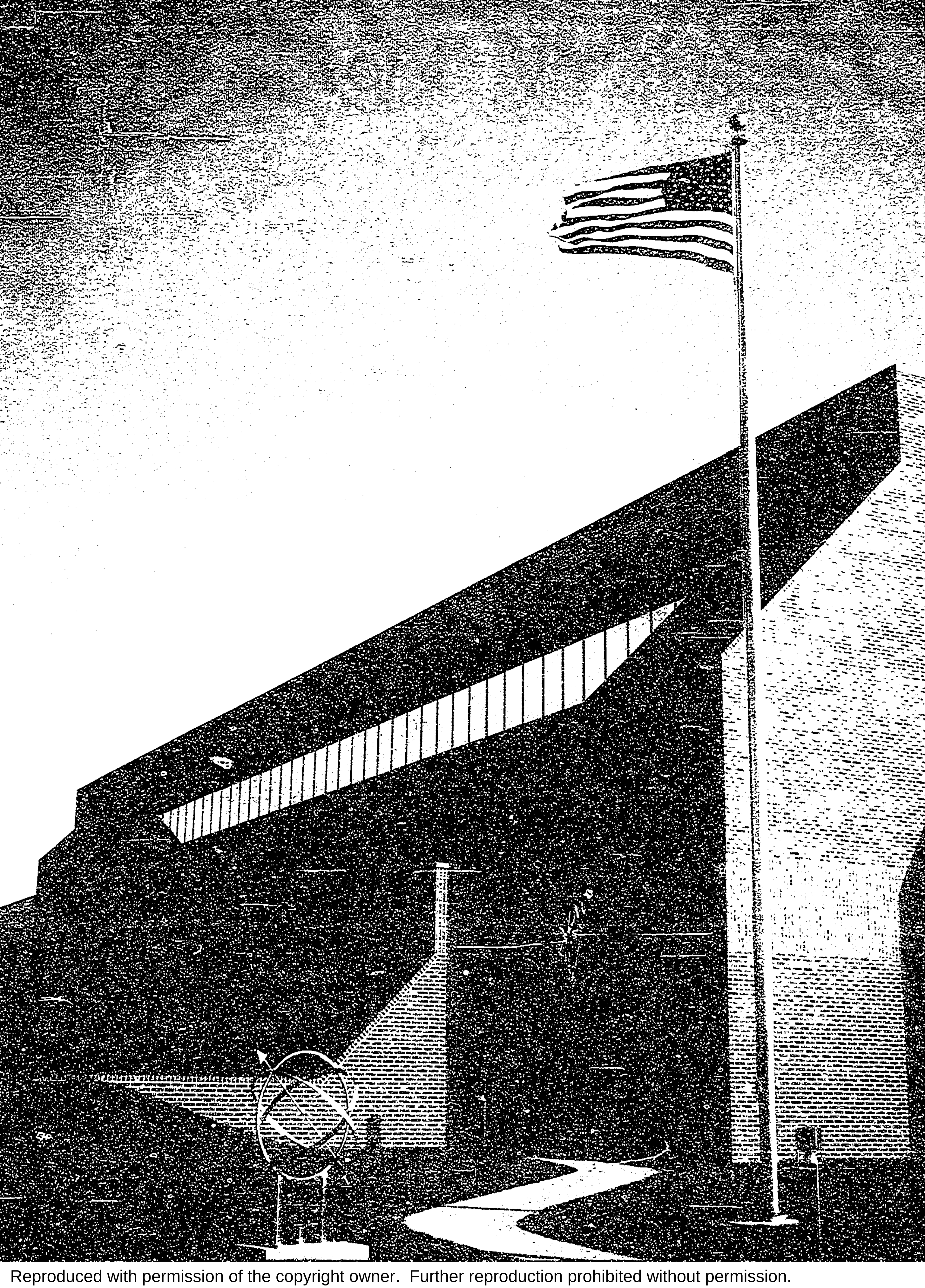
Geo. A. Hormel & Company reaffirms its policy as an equal opportunity employer and will continue its practice of hiring and dealing with all employees on the basis of qualifications, without regard for race, color, religion, sex, national origin, age or handicaps

TOTAL ASSETS
(Millions of Dollars)



STOCKHOLDERS' INVESTMENT
(Millions of Dollars)





Operations Group

Fiscal 1982 results of the Operations Group were shaped by a number of key factors. Most evident was the severe shortage of hog supplies, amounting to more than 10 percent. This produced one of the sharpest year-to-year drops ever recorded and resulted in the highest raw material costs on record.

Compounding the problem was the inability to generate sufficient margins in the face of consumer resistance to higher prices and increased operating expenses. These circumstances, dramatic in their impact, were further affected by the very significant expenditures accompanying the changeover in operations from the old- to new Austin (Minn.) replacement plant, and the start-up costs associated with bringing that new plant to full production capacity.

Offsetting these difficulties and providing the basis for a genuinely optimistic outlook for the year were markedly improved performances in 1982 by the Company's Refineries and Feed Divisions and the exciting promise and potential the new 1,089,000 square foot Austin plant, fully opened late last year, holds for both immediate and long-term growth. With a return to more favorable supplies of hogs at reasonable prices (not expected until the second half of 1983), the Operations Group will be better positioned to respond to continuing economic pressures.

New Austin (Minn.) Plant

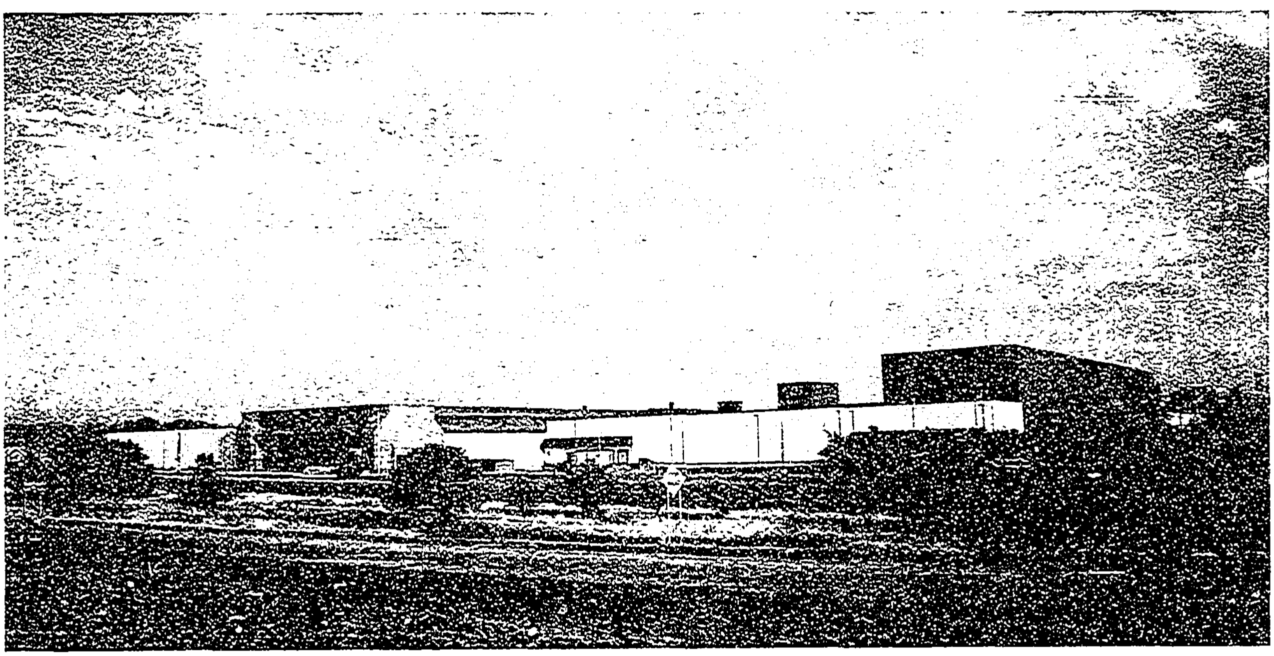
The single most important development to occur during fiscal 1982 will also have the effect this current year and in the many years ahead of increasing the Company's ability to improve its operating efficiencies while capitalizing on sizable growth opportunities.

This development, the completion of construction and the subsequent transfer of all operations into the new Austin plant, is viewed by many as the most significant event in the Company's 91-year history. Recognizing the historical significance and the importance attached to this largest of all Company capital investment projects, it is difficult not to share this widely-held assessment.

The new, largely one-story structure, covering 18½ acres on a 33-acre tract of land directly north of the former plant facility, in many ways resembles five manufacturing plants operating under one roof. Included are facilities to handle the processing of more than two million hogs annually, and large-scale prepared sausage, smoked meats, dry sausage and grocery products manufacturing areas capable of producing upwards of 200 million pounds of processed meat products each year.

One of the most promising features of the new Austin plant is high-speed hog skinning, a Hormel-designed system offering so many economies in production that similar installations have already been made at Company slaughtering facilities in Ottumwa, Iowa, and Fremont, Neb.

It is a highly-mechanized system expected to completely revolutionize the traditional industry approach to hide removal. The new process, conceived and built by Hormel engineers, has the capability of replacing the conventional scalding tubs and shaving procedures with rotating knives that cleanly, swiftly and effi-



The Austin (Minn.) plant, above and at left, was opened in late summer following three full years of construction

ciently remove the skin from the sides of hogs. No damage is done to the pigskins themselves, resulting in high-quality raw materials sought by tanning companies for the manufacture of garment and shoe leather goods. Nor is there any loss in the carcass yield which serves to protect the value of the hog and provide improved return to the producer. At Hormel, the potential benefits include reduced labor and energy requirements since large amounts of heated water are eliminated, and space-saving and all-important sanitation features created by the streamlined, easy-to-clean and maintain operation. The new installation will also allow the Company to shorten the conventional carcass chill time and reduce carcass shrinkage.

Hot boning techniques which will allow for same day processing of hogs are receiving careful study. Introduction of this process would greatly reduce carcass shrinkage, enhance sanitation standards for the entire pork cutting operation, and decrease demands placed on energy and plant space. Double-shifts for *SPAM* luncheon meat, bulk luncheon meats, *Fast 'n Easy* precooked bacon and *Layout Pack* wide shingled bacon have already been implemented. This not only provides for reduced plant overhead costs but also helps the Company to effectively meet increased demand from both the retail and food service industries for these popular product lines. A second shift for hog processing operations, planned for early 1983, will double the existing 750 hourly hog kill capacity. Later in the year, other major plant departments will begin operating on a double-shift basis.

Since the completed start-up of the new plant in late August of last year, the total employee force has increased by more than 25 percent.

Other Processing Facilities

In mid-June, the Company closed outmoded hog processing facilities in Fort Dodge, Iowa. The three remaining hog processing plants in Austin, Minn., Ottumwa, Iowa, and Fremont, Neb., now provide the Company with most of the raw materials needed for production operations. Newer facilities at the Fort Dodge plant continue to be used for the canning of 7-oz. *SPAM* luncheon meat, 5- and 8-lb. bulk luncheon meats and the entire line of *Hormel* ham patties.

Refineries Division

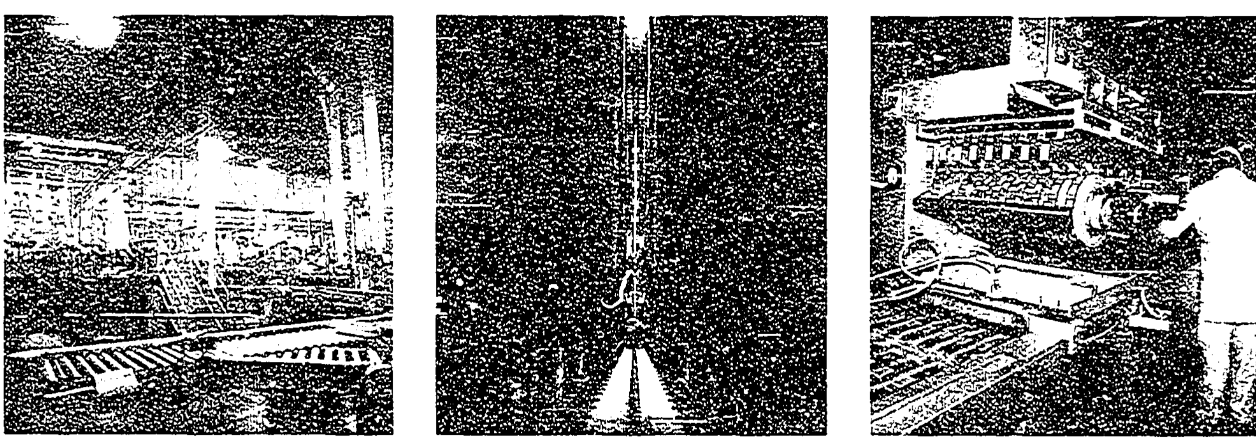
In addition to the well-known branded items found in U.S. supermarkets, Hormel also produces a number of other economically-important products that are less visible to consumers. These valuable "by-products," such as pork skins, glands, bones, fats and tallow, serve a wide range of consumer and manufacturing needs. Equally important, the development and marketing of such products make better use of the entire animal and upgrades its value.

The recovery of meat proteins, through the production of beef, pork and meat stock, is one relatively unknown product with excellent potential for continued growth. The installation of new stainless steel cooking tanks at the Austin plant, completed in late 1982, has provided the Company with improved processing techniques and the added capacity needed to meet anticipated increased future demand. These flavorful stocks are utilized by other food manufacturers in the preparation of soups, sauces and gravy mixes and continue to comprise an important and growing part of the Company's business.

Now in the testing stages at the Ottumwa (Iowa) plant is an efficient new procedure of benefit to both meat processor and consumer. It is a mechanical boning system designed to provide improved red meat yields by recovering or removing small particles of meat that previously could not be trimmed by hand and, as a result, were lost in the manufacturing process.

Full utilization of this newly-installed boning machine would provide Hormel with the capability of recovering three- to four additional pounds from each hog carcass. Large quantities of meat previously lost now become available for edible usage.

Continued gains are also foreseen in the marketing of pork tissue. This



Interior photographs of the newly-completed Austin (Minn.) plant Shown (left to right) is an overall view of hog processing, the automatic storage and retrieval system, and packaging of consumer-size dry sausage products

very nutritious, high-protein, low-fat product is recovered during the rendering of edible fats. Pork tissue will be produced at the Company's three hog processing plants and marketed to both domestic and foreign food manufacturers.

The refinery operation built into the new Austin plant has production efficiencies through which high-quality animal fats and vegetable oils can be processed more economically. In addition, the greatly expanded capacity provided by this modern facility allows the Company to develop new products and pursue new business it was previously unable to service.

One of the newest products is *Spud-Fry* shortening, a highly-selected mix of tallows specially-processed and blended to produce a truly fine frying oil for restaurant and food manufacturing customers. It was conceived in the Company's Research & Development Division and is now manufactured at the new Austin plant refinery. The formulation of *Spud-Fry* shortening adds a special, pleasing color and better taste to fried foods. It is packed in 50-lb. fiber cubes for added convenience during handling and usage.

Feed Division

The past fiscal year was significant for the efforts expended to become a more complete, viable entity in the feed industry. A contract feed arrangement with an independent mill operator provided new and larger facilities for the manufacture of hog, beef cattle, dairy cattle, sheep and poultry supplements. Expansion of the Company's dealer and distribution network helped contribute to a 12 percent increase in tonnage. The introduction of a newer line of feed supplements enabled the Company to function as a broadline supplier better equipped to meet the needs of on-farm feeding programs.

Also during the year, Hormel introduced two protein-rich beef supplements under the *ProPass* brand name. Both the 38% beef supplement and the 41% cattle supplement are specially-formulated to provide higher levels of nutritional value and better protein utilization while reducing important on-the-farm costs of cattle production. In the *Basepac* feed series, Hormel added two varieties of swine base mixes and one high vitamin dairy and one poultry mix. The *Enpac* starter and sow feed lines were reformulated to meet new producer requirements for higher meat meal content. This was determined through continuing research and testing programs specifically directed to achieving optimum amino acid usage and energy utilization.

The *ProPass*, *Basepac* and *Enpac* feed series, along with a *Surepac* line of hog supplements, provides producers with proven top-quality, good performance feeding programs.

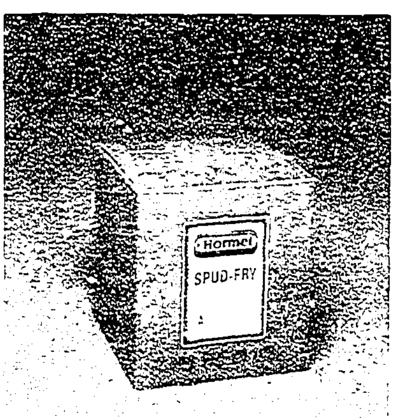
Projected 1983 Hog Supplies

Much of the outlook for fiscal 1983 depends on the improved availability of hog supplies and a leveling off of the record high raw material costs.

The industry appears to be approaching the bottom of the current hog cycle. Although the excellent feed grain crop of last fall will result in the production of more hogs, the increased numbers will not be ready for market prior to the concluding quarter of the 1983 fiscal year.

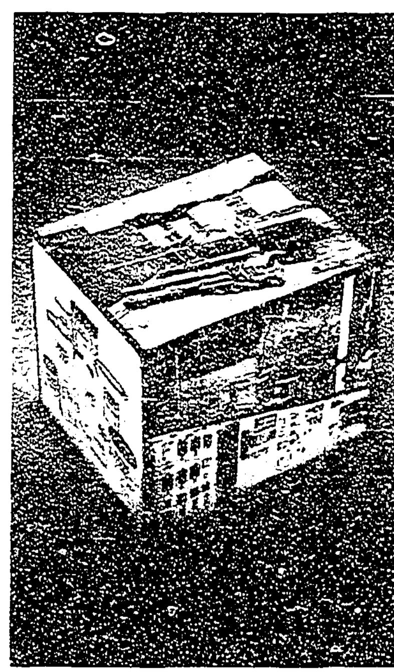
Current forecasting suggests that supplies will be down 11 percent during the Company's 13-week first quarter; 10 percent in the second quarter, and four percent in the third. Hog supplies are then expected to rise significantly during the fourth quarter with a possible 10 percent increase over 1982 fourth period marketings.

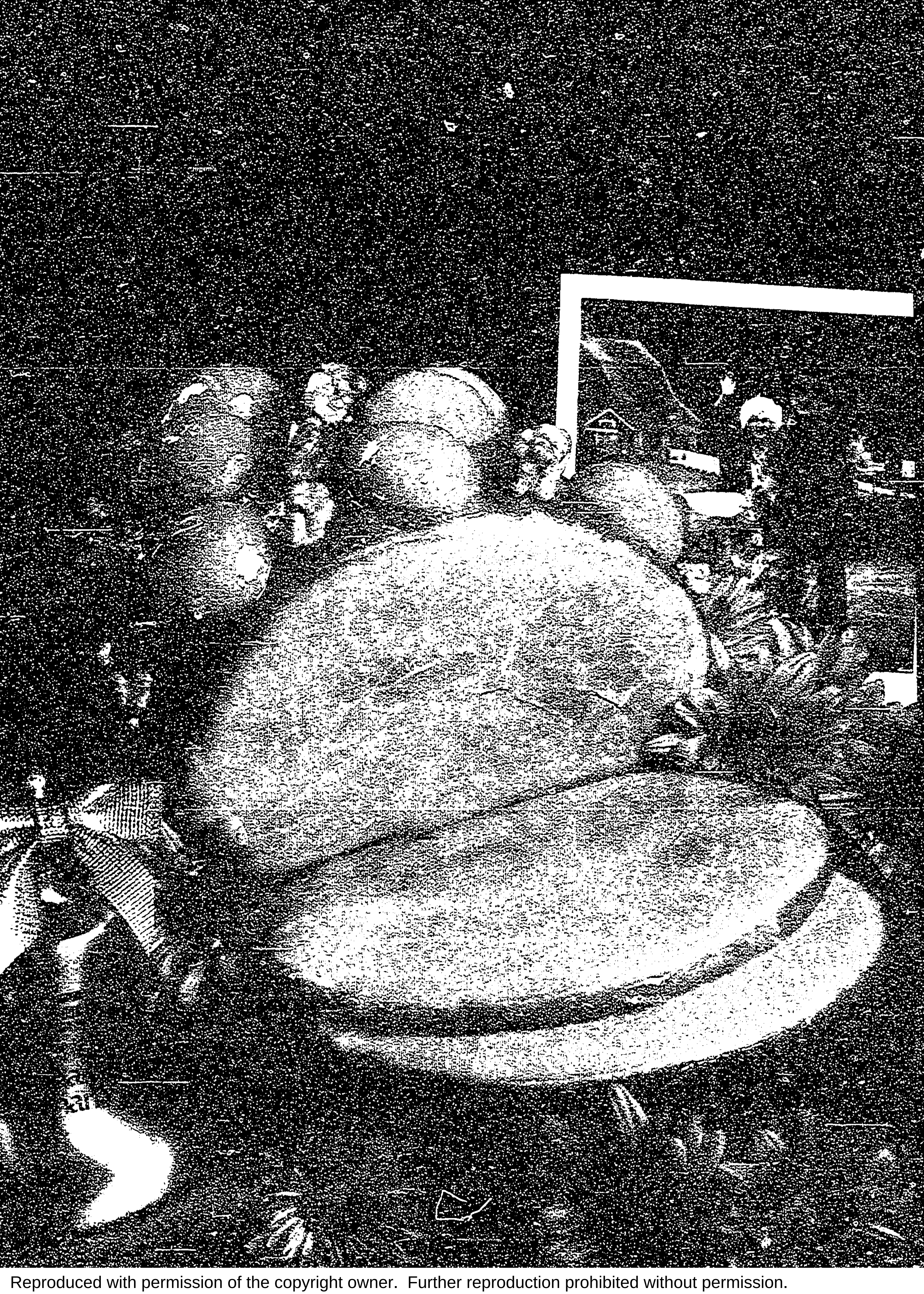
For the year, the number of hogs available to the industry is projected to remain at the second lowest level in the past 10 years, resulting in continued high raw material costs.



Introduced during fiscal 1982

New line of feed supplements


Refinery operations and products.



Meat Products Group

The sharp decline in the supply of hogs, resulting in the highest raw material costs on record, affected the strong growth trend established in recent years by the Meat Products Group. In addition, the unfortunate combination of inflation, which raised ingredient and other production costs, and declines in consumers' real income, led to intensified competition in an already highly-competitive meat industry.

The Meat Products Group, with a fine mix of high-growth products, worked hard to build a stronger leadership position in its well-known branded food lines. Equally important was the adjustment of that product mix to conform to newly-developed market realities. In 1982, this meant a further concentration on low calorie items for a diet-conscious population, and the introduction of ethnic foods and packaging improvements to meet rapidly-changing demographic trends. It also meant directing attention to the growing number of one- and two-person households and the continuing emergence of more informal lifestyles — a shift that has created new and large market opportunities.

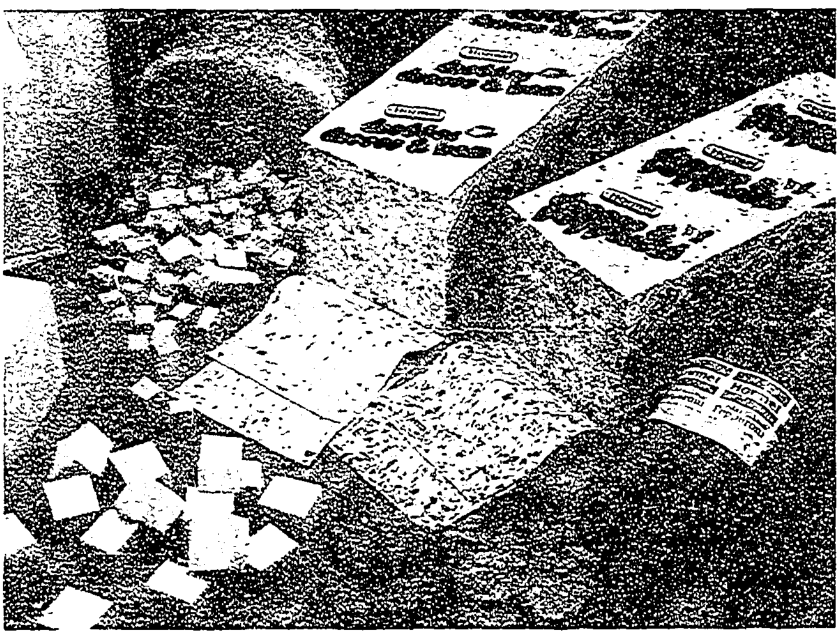
Furthermore, it meant internal expansion in two principal growth areas — food service and dry sausage — and the implementation of creative marketing/advertising programs designed to revitalize product lines and increase volume. Lastly, renovations and additions to physical plants and the construction of new facilities reflected a determination to maintain quality and improve customer service while lowering the cost of operations.

New Product Additions

One significant example, introduced early this past fiscal year, is *Hormel* cheese and pepperoni, a specialty product developed and sold to service delicatessens. The response by the retail trade and consumer groups in its first full year in the marketplace has been excellent. Every possible barometer indicates that this innovative item might very well become one of the Company's most successful new products.

Available as a 10-lb. loaf, *Hormel* cheese and pepperoni represented the Company's first entry into the multi-billion dollar domestic cheese market. The sales volume derived from deli operations alone has since led to the test market introduction of a consumer-size version of the same product. In addition, a "companion" product, *Hormel* ham and cheese, has also been introduced. This newest variety combines the ingredients of America's most popular deli sandwich — smooth cheddar cheese and smoke flavored ham — and should help to further position the Company as a viable, growing factor in the total cheese category.

Light & Lean luncheon meats completed their first year of national distribution during 1982. Late in the year, a strong, new campaign of advertising and promotional support stressed the theme that in this seven-item line, *"Great taste doesn't come any leaner."* Four-color advertisements appeared in *Southern Living*, *Sunset* and *Weight Watchers* magazines. In key markets, a powerful schedule of 30-second television commercials was supported by four-color and black-and-white newspaper advertisements.



New Hormel product introductions into the domestic cheese market

For diet- and nutrition-conscious consumers.

Included in the line of lower-fat, reduced-calorie products are smoked cooked ham, red peppered ham, black peppered ham, glazed ham, cooked ham and Canadian-style bacon. Packed in convenient 4-, 6- or 8-oz. packages, each slice contains no more than 25 calories and is better than 90 percent lean. Introduction of this line was one of the Company's first answers to the growing millions of consumers who are intent on watching closely the types of foods they eat while also conscious of not having to give up taste.

Adding to this commitment was the development in early 1982 of *Hormel* light bologna, a product that fully meets the requirements of diet- and nutrition-concerned consumers. Bologna, as a category, is the largest selling item in the luncheon meat case. New *Hormel* light bologna, on the other hand, offers the same excellent taste but contains 50 percent less fat and 33 percent fewer calories than the Company's regular bologna product. These are appealing factors to weight-conscious shoppers.

Following this product introduction is an all-new labeling program identifying caloric content of other luncheon meats in the Perma Fresh line. Described as *"Original Recipe"* products that long ago earned strong consumer favor, newly-developed marketing plans stress that no changes have been made in ingredients, method of processing or taste. Instead, the labeling improvement helps to expand consumer awareness of Company products and their calorie content.

Hormel big franks, in family-size 8-packs and smaller family 4-packs, both introduced in 1981, and an old favorite, *Wranglers* smoked franks, helped the Meat Products Group to increase tonnage and gain market share during a year when the entire big frank/wiener category suffered an industry-wide decrease in real growth.

The momentum provided by the Company's new entries will lead to expansion into several additional markets in 1983 in a concentrated effort to develop still larger volume gains. The primary objective in these markets will be to build a consumer awareness of the brand registration and its package and to create heightened appetite appeal by describing this larger, livelier hot dog as the *"Best tasting frank in town."*

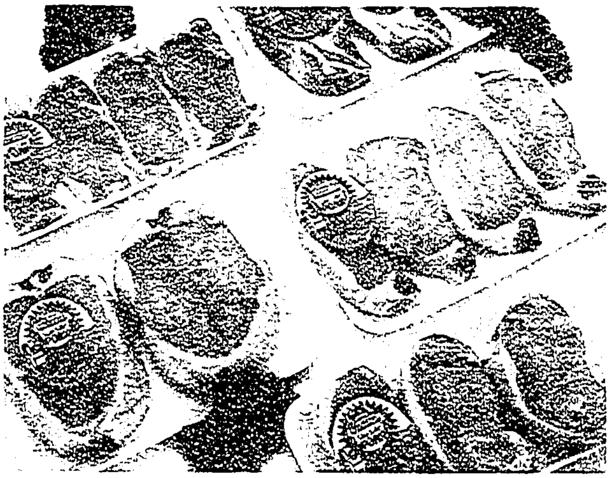
A label improvement for both *Wranglers* smoked franks and *Wranglers* smoked beef franks, implemented last year, places a stronger emphasis on the Western theme and "campfire flavor" of the product. The *Wranglers* product line continues to receive heavy advertising and promotion as a means of protecting volume and building new franchise acceptability.

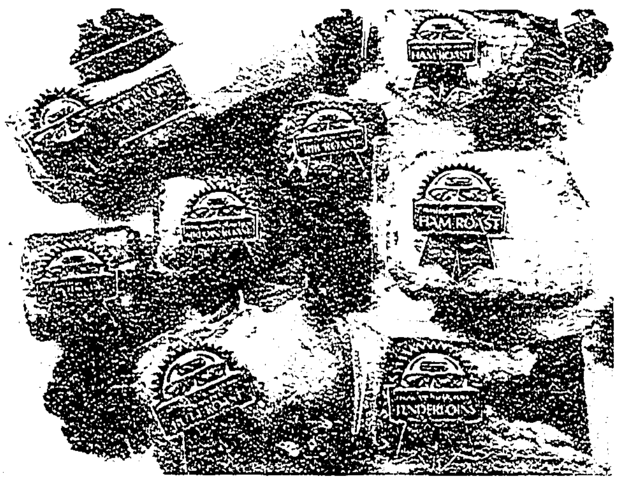
In early fall, Hormel added a variety of lean-trimmed, fresh, boneless pork products to its growing *Super Select* pork line. Included were boneless whole loins, whole- and half-hams, shoulder butt roasts, tenderloins and loin roasts. When combined with other *Super Select* bone-in fresh pork cuts, it enhanced the Company's image as a full-line supplier of fresh meats to the retail trade.

The new boneless pork products are now sold whole or merchandised into smaller, specialty retail items such as boneless roasts, center-cut pork chops, cubed steaks, fresh ham steaks and cubed pork, depending upon individual consumer preference. When scale-packed by retailers, a *Super Select* pork label is inserted into each package. Drawing further attention to both *Super Select* boneless and bone-in pork displays are retail cards, point-of-purchase advertising strips and large and colorful posters.

Food Service Division

One of the most recognizable changes in lifestyles in recent years has been the increasing desire on the part of Americans of all ages and all income groups to eat more meals away-from-home. Because of this still-growing trend, the Food Service Division has built a national marketing, sales and distribution system which, today, is capable of providing quality branded products to restaurants, cafeterias and drive-in or sit-down fast food establishments. De-

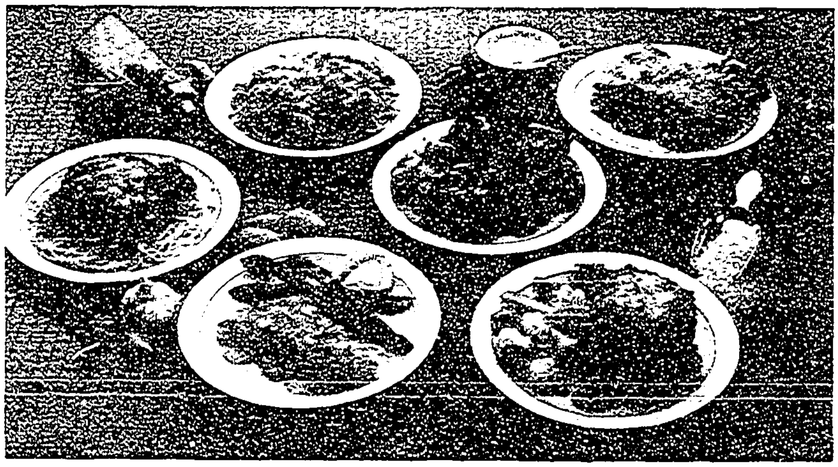




Super Select® boneless pork can be merchandised either whole or in smaller retail packages.

veloped in tune with the dining-out market, the Company's present product line consists of portion-controlled chops, steaks and other fresh meat cuts; frozen prepared entrees; a full line of chopped and formed products, and many familiar Company processed meats, all of which are tailored specifically for large-scale food service or institutional use.

Hormel pepperoni peppers and *Hormel* lasagna with pepperoni and sauce are two additions to the frozen entree line. From the basics to the unique, Hormel offers 30 distinctive frozen entrees, including macaroni and cheese, stuffed cabbage rolls, veal parmigiana, beef short ribs in barbeque sauce, fish almondine and chicken chow mein.



From the basics to the unique, Hormel offers many distinctive frozen entree products

The complete line of frozen entrees was introduced in attractive four-color inserts and full-page spreads which appeared late in the fiscal year in three key magazines, *Food Management, Institutional Distribution* and *Restaurants & Institutions.* These major trade publications serve buyers and food service operations people in schools and universities, hospitals, contract feeders and in-plant cafeterias, and food brokers and distributors serving the "eat-away-from-home" retail and institutional businesses.

In the portion-control frozen meats line, *Hormel* breaded pork loin fillets, *Hormel* breaded pork loin fillet strips and *Hormel* chicken patties joined more than 150 other uncooked or precooked or unbreaded or breaded products. Most of these are marketed exclusively to the food service trade.

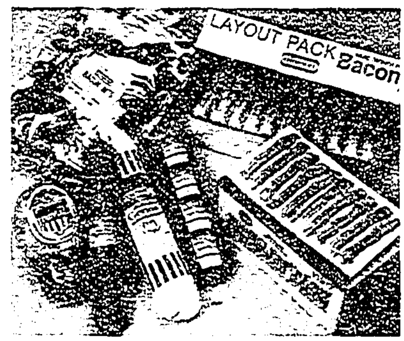
Reflecting strong promotion and sales programs, it was the increased distribution of established product lines that accounted for the higher sales volume enjoyed in 1982 by the Food Service Division. Contributing to the improved results were *Layout Pack* wide shingled bacon, *Fast 'n Easy* precooked bacon, *Hormel* bacon bits, the variety of *Hormel* deli meats, including hard salami, pepperoni and genoa salami, all of which enjoyed increased business with pizzerias, and the ham product line, principally *Cure 81* ham and I.S. (institutional boneless) ham.

America's First Name for Ham

An eight-page *"Home for the Holidays"* insert in the November issue of *Reader's Digest* featured once again the full line of ham products that has earned the Company recognition as *"America's First Name for Ham."*

This latest insert marked the seventh occasion in which a series of ham recipe booklets has appeared in either *Reader's Digest,* America's largest circulation monthly magazine, or *Family Circle,* the leading home service magazine, since the adoption of the Company-wide, multi-ham product theme two years ago. In 1982, three colorful product spectaculars were used to promote *Cure 81* ham, *Curemaster* ham, *Black Label* ham, *Hormel* ham patties, *Hormel* chunk ham and *Light & Lean* ham luncheon meats during peak ham buying seasons. The wide variety of recipes offered in each booklet provided homemakers with a combination of simple and convenient or formal, more elegant serving ideas.

Since 1980, an estimated 100 million recipe booklets and cards have reached one of every three homes in America; research studies show that nearly 50 million recipe book inserts have been torn out and saved. These recipe book inserts will help continue to sell the mixed variety of Hormel ham products for years to come and



Also popular among food service operators

Hormel® breaded pork loin fillets

A newly-introduced food service product

Ham products that have earned Hormel recognition as "America's First Name for Ham "

will further provide merit to the Company as *"America's First Name for Ham."*

Dry Sausage Division

It was another year of stellar performance by the Dry Sausage Division which was characterized in 1982 by an all-time record in sales volume and market distribution. Clearly the industry leader in this large product category, the growth of the Dry Sausage Division has been impressive.

Leading this level of high performance has been the very successful *Hormel* pepperoni product line which added a 5-oz. exact-weight package and expanded manufacturing capacity to keep pace with strong consumer demand.

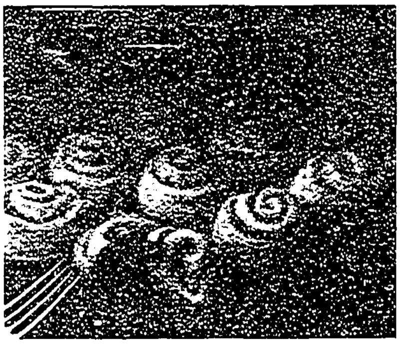
The newest extension of the *Hormel* pepperoni line has met with wide approval from retailers since it eliminates costly in-store scaling and pricing operations. The traditional twin-link form was retained and it is now marketed as a "companion" to three other popular prepackaged consumer sizes, the 3½-oz. presliced package; 6-oz. chunk item, or the newly-introduced 6-oz. sliced addition to the Company's Perma Fresh line of products.

To stimulate further growth and product usage, Hormel developed an exciting *"Pepperoni Pantry"* promotion. It was a sweeping program that stressed a cross merchandising "tie-in" of *Hormel* pepperoni with other related pizza items, including pizza crusts, shredded cheeses and sauces and toppings, that are stocked in the self-service deli, dairy or meat departments and other dry goods sections of major supermarkets. Multiple-item displays in each of these store areas helped to create a new consumer awareness of *Hormel* pepperoni in its various forms and a recognition of the versatility and acceptance it has received as an ingredient for homemade pizzas.

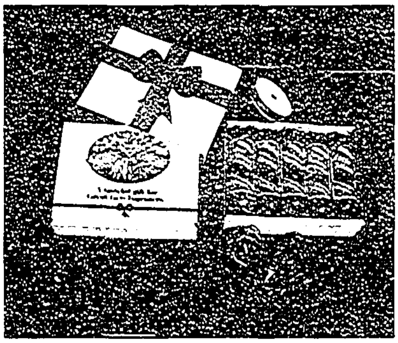
Although especially well-known as a pizza ingredient, the increasing sales of *Hormel* pepperoni is proof that this very flavorful product is finding expanded use in countless other ways as well. One effort to attain broadened pepperoni usage occurred late in the year when Hormel teamed up with The Pillsbury Company in the development of *"Pepperoni Pinwheel Crescents."* This easy-to-use, extremely tasty recipe featured crescent rolls filled with *Hormel* pepperoni. A national research study judged this to be one of the best new recipe suggestions to be developed.

A solid promotional program was built around the objective of achieving improved multiple-item distribution of *Hormel* pepperoni. It featured high-impact, full-color advertisements in leading women's service magazines; package coupons; an illustrated printing of the featured recipe on the back of 3½-oz. *Hormel* pepperoni packages, and in-store displays with convenient tear-off pads. The four-month program helped to establish both brand identity and a greater consumer knowledge of the many versatile ways in which the entire line of *Hormel* pepperoni can be used.

The Dry Sausage Division completed its third year of producing special food gift packages for retail sale during the holiday season. Two tasteful gifts — a five-item assortment of "fresh-out-of-smoke" chubs and a 1-lb. *Old Smokehouse* beef sausage



Pepperoni Pinwheel Crescents.



Dry sausage food gift package.

roll — were marketed to retailers who wished to compete with the growing catalog gift sales business.

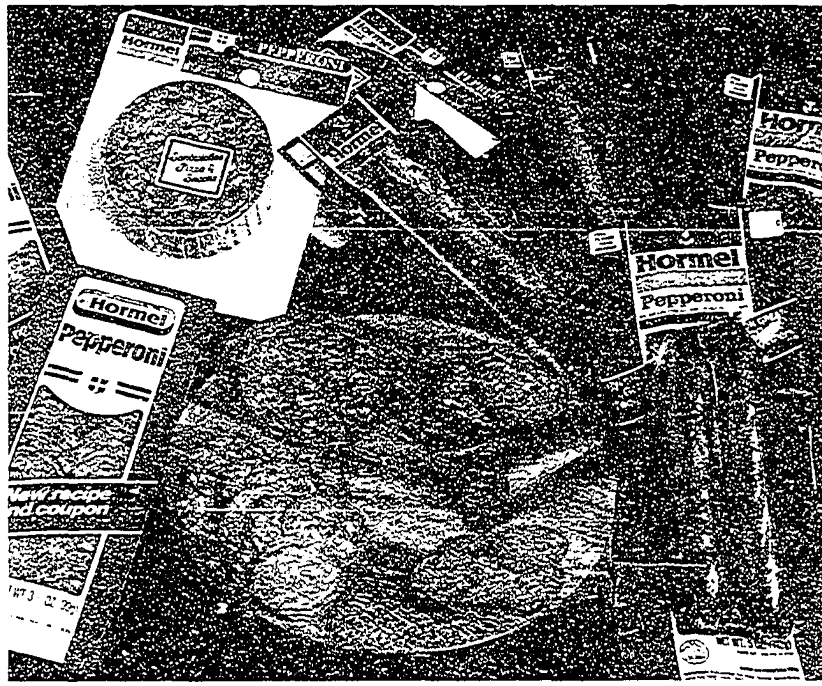
Also during the year, Hormel introduced *Saporito* soppresata, a traditional Italian salami sold largely to service delicatessens for chunking and slice-to-order sales. This fancy, new ethnic product is a favorite on antipasto trays or as a sandwich meat. The complete line of "fresh-out-of-smoke" chubs has a new package design that allows for either vertical or horizontal display. Coupled with a new free-standing merchandising display rack, these gourmet dry sausages, numbering five different items, project a better visibility and identification to consumers.

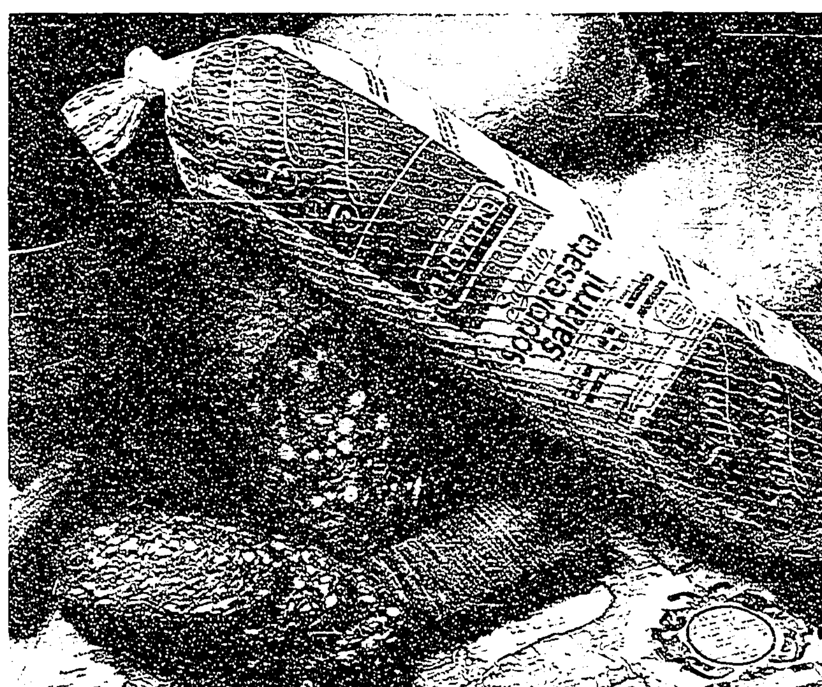
Plant Facilities and Additions

Capital spending programs in the last decade have ensured the Meat Products Group of operating in the very best of facilities for production and distribution of its diversified line of prepared sausage, smoked meats and dry sausage products.

This is especially evident in dry sausage where newly-constructed facilities, none of which is more than 12 years old, have provided the Company with a production capacity that is more than 200 percent greater than that which existed in 1970. The Algona (Iowa) plant, built that year; the Knoxville (Iowa) plant, constructed in 1977; the 110,000 square foot dry sausage addition to the Ottumwa (Iowa) plant, completed in 1981, and the opening this year of "flagship" dry sausage facilities in the new Austin (Minn.) plant, have proven to be key factors contributing to the tremendous growth enjoyed in recent years by the Dry Sausage Division.

Hormel has also constructed three distribution plants in the past 10 years, the most recent in the San Francisco, Calif., area where an 18,-875 square foot facility was opened early last year. Other new distribution facilities in Houston, Texas, and Fresno, Calif., have provided significant improvements in the economy and efficiency of operations.





Top photo: Hormel® pepperoni is offered in chunk, twin-link and presliced form to consumers. Bottom photo. A new Italian sausage introduced last year to service delicatessens.

Prepared Foods Group

The strong performance of the Prepared Foods Group during fiscal 1982 clearly illustrates the solidity of the foundation upon which future growth can be expected. Despite continued inflationary pressures and a softening economy whereby consumers were willing to forego the added value of branded products and, instead, select lower-priced items as a means of stretching their food dollar, the Prepared Foods Group was able to complete another excellent year.

The Prepared Foods Group contended with growing consumer caution by stressing the cost/value relationship of its diversified line of canned meats products. In addition, aggressive, broad-based advertising and marketing campaigns placed behind key premium brands enabled most product categories to maintain or improve upon 1981 tonnage and market share levels.

The importance given to new product varieties and line extensions was also demonstrated during the year with the introduction of several new products seen as having good potential for consumer acceptance. These new product additions, emphasizing brand awareness and consumer trust, should lead to still greater market leadership in the decade ahead.

Finally, the start-up of canning operations in the new Austin (Minn.) replacement plant, coupled with recent expansions and renovations of the Atlanta (Ga.), Beloit (Wis.) and Stockton (Calif.) canning plants, has helped to improve manufacturing efficiencies and lower costs while improving product quality and service. It has also provided the needed capacity and technology essential to meeting the ever-growing demands of consumer markets.

Marketing Strategies

Dinty Moore beef stew, the undisputed leader in its product category, enjoyed its best year ever in 1982 because of its recognized identity as the *"real meat and potatoes meal."* In its biggest advertising campaign ever, built largely around national network radio, attention focused on the promise of high quality and excellent value and the strong *Dinty Moore* brand name recognition which has earned consumer favor for more than 45 years.

"All the makin's of homemade" was the value-added theme that contributed to a new level of volume for *Hormel* chili. The record sales increase was accomplished with the help of a series of unique advertising and promotional programs, including network and local radio and television, magazines and outdoor billboards, all of which described the product's solid market position and good value attributes. At fiscal year-end, a joint *Hormel* chili/*DuPont SilverStone* promotion generated even greater sales and market distribution. Ranking as one of the largest promotions in Company canned meats history, the key strategy elements included four-color advertisements in national women's service magazines; "live" television programs in major markets featuring *Hormel* chili recipes, and more than 200,000 in-store cooking demonstrations nationwide.

Thirty-second television commercials in high consumption markets and colorful print media advertisements, featuring quick, easy-to-pre-

These major product lines were supported by broad-based marketing campaigns

No. 1 in its product category

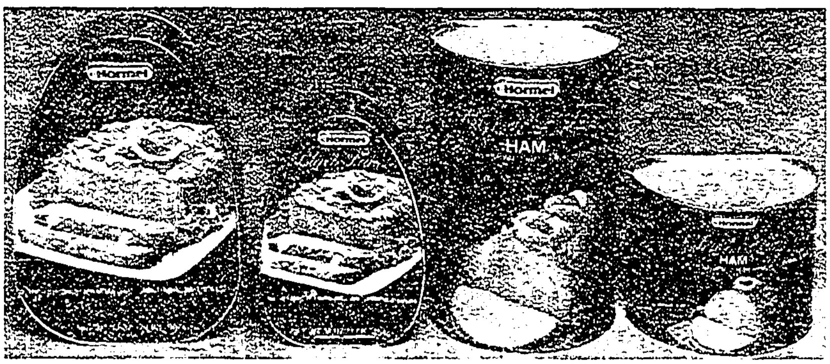
pare recipes, contributed to significant sales increases this past year for *Mary Kitchen* roast beef hash and *Mary Kitchen* corned beef hash. Here, again, emphasis was placed on the complete meal, or "*meat and potatoes*" concept, for the busy housewife who needs to provide her family with economical, well-balanced meals. *Mary Kitchen* remains as the only national brand offering both roast beef and corned beef hash in all major markets.

SPAM luncheon meat, the pioneer item in its category, outsells all its competitors combined. Although share-of-market has never been greater, total sales tonnage dropped in 1982, largely the result of a continuing decline in the total percentage of American households who use canned luncheon meat. As a countermeasure, Hormel has taken a more aggressive marketing approach for this long-standing family staple, using a concerted advertising program targeted heavily to the younger generation of consumers who have never tried the product.

One imaginative method of reaching young non-users was the introduction, at mid-year, of the exciting *Bridal Shower* program. Because newlyweds are highly-receptive to new product ideas, and the food items enjoyed during their early, habit-forming years are often also preferred later in life, the objective was to put *SPAM* luncheon meat samples into the homes of newly-married couples. Through this promotion, still in progress, an estimated 80,000 gift packages, each containing one can of 12-oz. *SPAM* luncheon meat, are being distributed to newlyweds in 10 major U.S. markets.

A second, related development aimed at reaching important new users was the change in late 1982 to a cleaner, more modern product illustration, or vignette, on the *SPAM* luncheon meat container. New, improved product photography suggests maximum appetite appeal and strikes an important balance between the former, well-recognized illustration and its updated replacement. The effect is to convey a modern, rather than "old-fashioned," image to today's two- and three-person households.

The Black Label® ham family in its entirety



New additions to the Black Label® ham product line

Product Introductions

The steady increase in the number of smaller families and single person households continues to present the Company with unprecedented new marketing opportunities. And because there are more couples without children and more young adults and more elderly persons living alone, they are seeking products which provide one- or two meals with no leftovers. Hormel is responding to this trend from many directions.

Within the *Black Label* ham family, two new sizes (1- and 2-lb.) will be introduced in early 1983 in the traditional shelf-stable, pear-shaped can and two sizes (1½- and 3-lb.) will be offered in a D-shaped container so unique that Hormel owns a registered trademark on the can design itself. Still another item, *Hormel* spiced ham, is also scheduled to make its retail market debut early this year in the distinctive 1½-lb. D-shaped can. The five product introductions, each a line extension, will help identify the Company as a supplier of quality foods filling the mealtime needs of all family sizes.

Also finding favor with the growing single-serving market is the Company's 7½-oz. line of quick, easy and nutritious main meals. More

Hormel® spiced ham in a D-shaped can

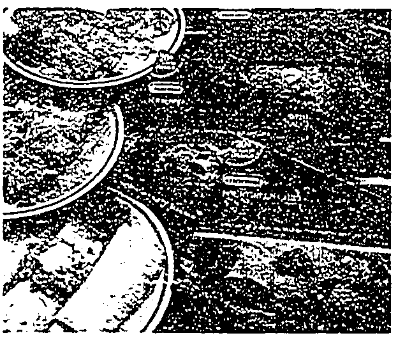
than 30 varieties, from everyday favorites to unusual specialties, are sold to vending and mobile caterers and retail markets under such well-established brand names as *Dinty Moore*, *Mary Kitchen* and *Hormel*

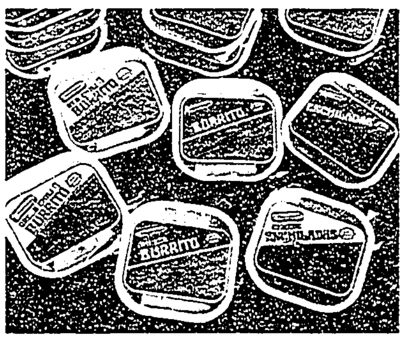
The newest addition is *Hormel* spaghetti and Italian sausage, a top-quality, spicy pasta product that has the potential of becoming one of the largest volume items in the entire line. Of particular significance is the fact that this product concept was the direct result of a suggestion submitted through the Company's employee/retiree **IDEA** (Idea Development Employee Awards) program. In-home testing and taste panel tests substantiated its acceptability among consumers and encouraged Company officials to move it into immediate national distribution.

Evidence of the Company's commitment to meeting changing shifts in consumer tastes and food preferences was also illustrated in 1982 when the entree line of Mexican frozen foods was nearly doubled in variety. Three additions — *Hormel* beef enchiladas, *Hormel* cheese enchiladas and *Hormel* green chili burritos — raise to seven the number of Mexican-style frozen foods now marketed through major supermarket outlets. In addition, many of these same Mexican foods, in 4-oz. single-serving packages, have been introduced into test markets to still another large and growing segment of the industry — the vending trade which services supermarkets, snack shops, drugstores, hospitals and industrial and school cafeterias.

This expansion of ethnic Mexican favorites, coupled with their extension to vendors and mobile caterers, has been further supported by attractive new packaging designed to bring a "family" resemblance to the entire line. Mexican foods remain one of the fastest growing categories in the industry today; Hormel has firmly indicated its intent to increase its share of this important market.

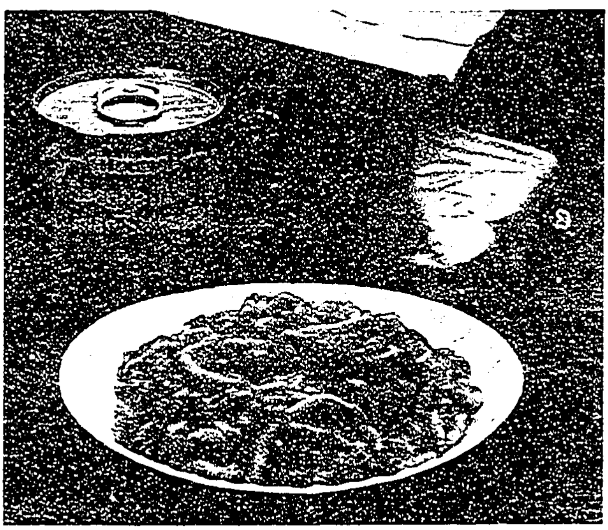
Following an unusually favorable reception in West Coast test markets,





Hormel expanded its frozen foods line of products during fiscal 1982.

The Company's 7½-oz line of nutritious main meals



The newest addition to the Short Orders® product line.

Hormel pork hocks was moved into national distribution by fiscal year-end. This "top-of-the-line" vinegar-packed product is a "companion" item to *Hormel* pigs feet.

Capital Investments

The Prepared Foods Group, supported by a network of production/canning facilities that rank among the most modern and cost efficient within the industry, is able to face the more intense operating environment of the 1980's with enviable strength. Nowhere is this more evident than at the newly-completed Austin (Minn.) plant where the distinction of being the first to begin operations belonged to the Grocery Products Division. *Black Label* hams, *SPAM* luncheon meat and bulk luncheon meat products rolled off canning lines in late May in highly-automated facilities that not only raised efficiency but expanded capacity in areas of perceived demand.

This upgrading and enlargement of canning facilities has been equally well documented elsewhere. In Atlanta, Ga., a 45,500 square foot warehouse addition in 1978 and new and vastly improved high-speed canning, packaging and casing lines, installed in 1980-81, brought forth increased labor and equipment efficiencies. In the production area, new vegetable preparation equipment and the addition of five retorts, industry-size cooking and sterilizing tanks, have helped to enhance product uniformity and capacity.

In Beloit, Wis., a 31,000 square foot addition completed this year and a 51,000 square foot expansion in 1978 significantly increased canning and warehousing capabilities while providing important new efficiency improvements and cost reductions.

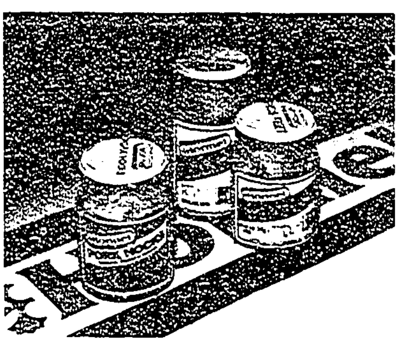
Along the West Coast, renovation of the major canning plant in Stockton, Calif., acquired in 1978, is nearing completion. The original 76,031 square foot structure was expanded two years ago to more than 138,000 square feet with a large warehouse, cooler/freezer and dry storage area and office and welfare facilities comprising much of the new space. In 1982, new labeling equipment and an automated shrink-wrap packaging line replaced the obsolete machinery that had served so well. The planned installation in 1983 of three retorts will enable canning facilities in Stockton to be operated at considerably higher speeds.

Industrial Products Division

The Industrial Products Division is known for its development of specialty protein products for food and allied industries and the manufacturing and packaging of private label and generic dessert items for the retail trade.

These products are produced at two major facilities. In Austin, Minn., a 81,500 square foot building, acquired in 1970, houses the flavoring/spice blending operations and production of gelatin desserts, puddings and soft drink mix products. During the past decade, installation of new packaging equipment and lines has more than tripled the original production output. Construction of a 25,000 square foot addition in 1983 will provide badly-needed warehousing and storage capabilities for the projected future increased demands of gelatin desserts.

The 117,000 square foot Davenport (Iowa) gelatin/specialized proteins plant, completed in 1980, has improved its operating efficiencies for greater corporate strength and growth. The continued increased demand and acceptability of the specialized types of food and non-food products produced here have led to the planned movement in early 1983 to a full three-shift, 24-hour-a-day, seven-day-a-week operation.



Companion item to Hormel® pigs feet

Gelatin manufactured by Hormel is used as an ingredient in a variety of products

International Operations

International operations of Geo. A. Hormel & Company are conducted through its wholly-owned subsidiary, Hormel International, which has headquarter offices in Austin, Minn.

Through this subsidiary, Hormel branded products, technology and trademarks are marketed on a selected basis throughout the world. For example, *SPAM* luncheon meat is manufactured and marketed under license in England through New Forge Foods, Ltd.: in Australia, J.C. Hutton Pty. Ltd., in the Philippines, Pure Foods Corporation, and in Japan, Hormel Limited Japan has licensing rights. Geo. A. Hormel & Company monitors trademark registrations for both *SPAM* luncheon meat and the *Hormel* brand name worldwide. Currently, *SPAM* luncheon meat is registered in 92 countries; additional registrations are pending in eight other countries.

In addition to these licensing agreements, other equity positions and technical service agreements are also held in the Dominican Republic through Stefanutti/Hormel S.A.; the Philippines with Pure Foods Corporation and, in Japan, with Hormel Limited Japan.

An increasing variety of the consumer-preferred Hormel products produced here in America are also marketed in more than 40 major foreign markets. Bilingual labeling on the containers and/or packages helps to specifically tailor the products to the individual needs or requirements of different foreign markets.

Vista International Packaging, Inc., a subsidiary of Hormel International, processes and markets tubular packaging items to the food industry. Raw materials needed by this subsidiary are obtained from Finland, Sweden, Denmark, West Germany, Spain, Japan and the United States.

Located in Kenosha, Wis., Vista International recently expanded its manufacturing facilities by 28,500 square feet. This addition provides for possible expansion of product lines, improved quality of existing products and better customer service through increased warehouse capacity.

Many Hormel products are meeting with increased consumer favor in major foreign markets

Increasing Our Assets

For many years, Geo. A. Hormel & Company has recognized the need for a carefully-planned and well-executed capital spending program. As of the conclusion of the 1982 fiscal year, in excess of $300 million had been spent during the past 10 years (1973-82) on new plant construction and capital improvements That amounts to well over one-quarter of a billion dollars invested to enlarge production capacity or improve the economy and efficiency of Hormel manufacturing operations. Even more significant, capital expenditures within the last five years alone have exceeded the entire net worth of the Company.

Looking further back and using the most recent 10 years as a measurement, the Company's network of capital spending has extended into nearly all areas of the country.

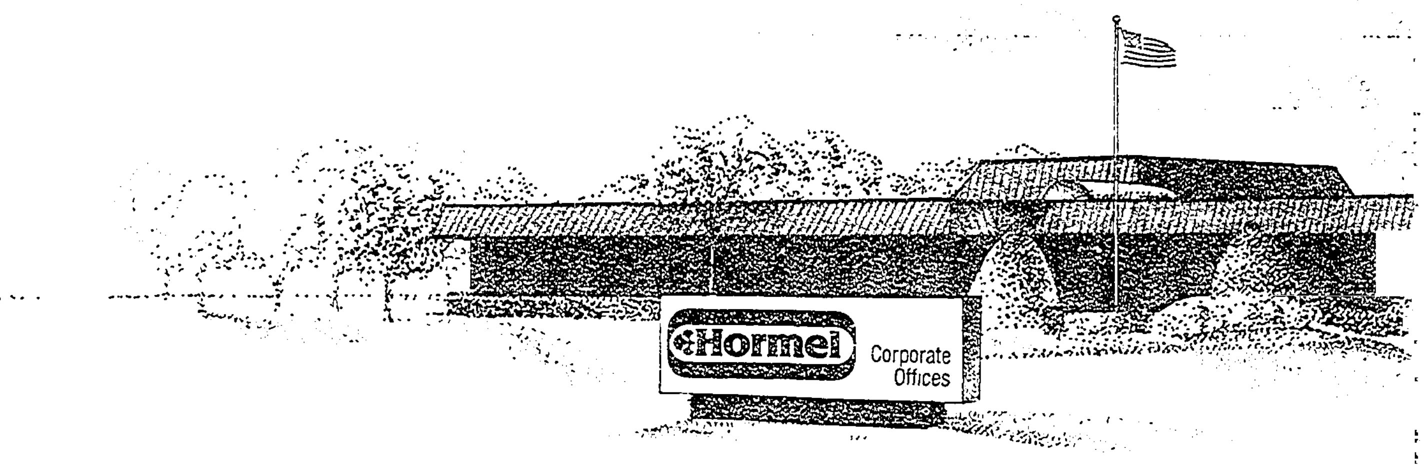
On the West Coast, new distribution facilities have been constructed in both Fresno and San Francisco, Calif. Also in California, a 76,031 square foot canning plant, located in Stockton, was acquired in 1978, extensively renovated, and then expanded two years ago to more than 138,000 square feet.

In the Southwest, a 94,000 square foot smoked meats and prepared sausage manufacturing plant was built in Houston, Texas. Further north, a 56,000 square foot building in Oklahoma City, Okla., provided new facilities for the production of both frozen prepared entrees and chopped and formed products.

It is in the Midwest, however, where quality for Hormel begins on the farm, the source of our raw materials, that the greatest number of capital investment dollars and related building projects has been concentrated.

In Beloit, Wis., a 250,000 square foot grocery products canning plant, opened in 1973, has since been expanded on two occasions and now exceeds 337,000 square feet. A 110,000 square foot dry sausage manufacturing plant in Knoxville, Iowa, and a 115,000 square foot gelatin/specialized proteins plant in Davenport, Iowa, were major new building programs in 1977 and 1979, respectively.

One of the most significant examples of recent Company capital achievements is the Ottumwa, Iowa, processing plant, constructed in 1976, then enlarged by 25 percent only five years later to more than 540,000 square feet. This full-line facility, which includes a very substantial pork operation and production areas for smoked meats, fresh and prepared sausage items and dry sausage, now ranks as the second largest within the Hormel organization.



Hormel Corporate Offices / Austin, Minnesota

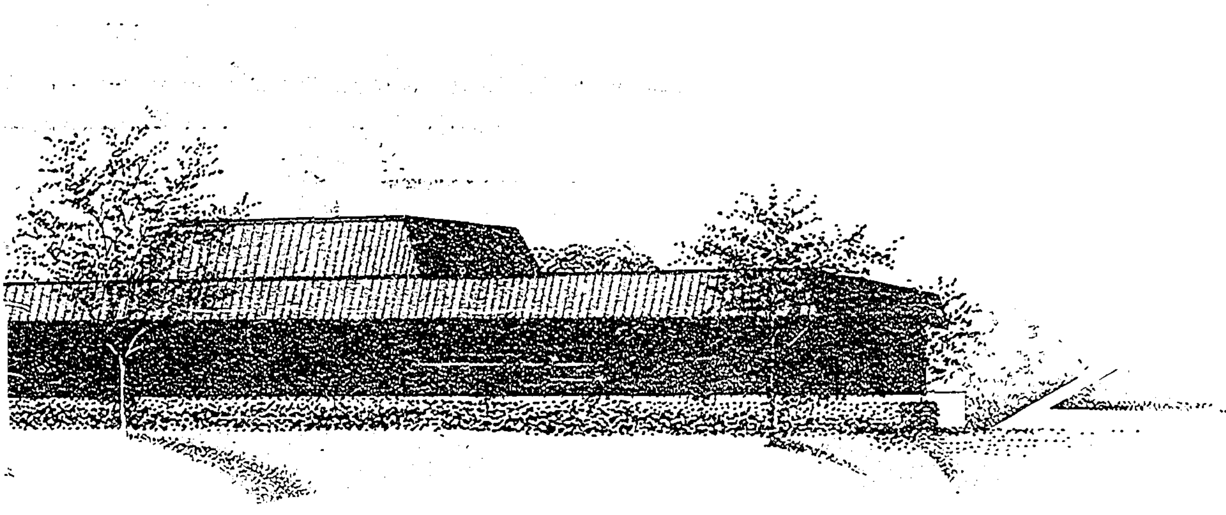
The largest — and newest — capital investment is the Austin (Minn.) "flagship" plant completed in late summer of 1982. This 1,089,000 square foot facility incorporates the very best building design and construction expertise and newest industrial technology and equipment, all under one roof. As such, it is a showplace for the entire industry.

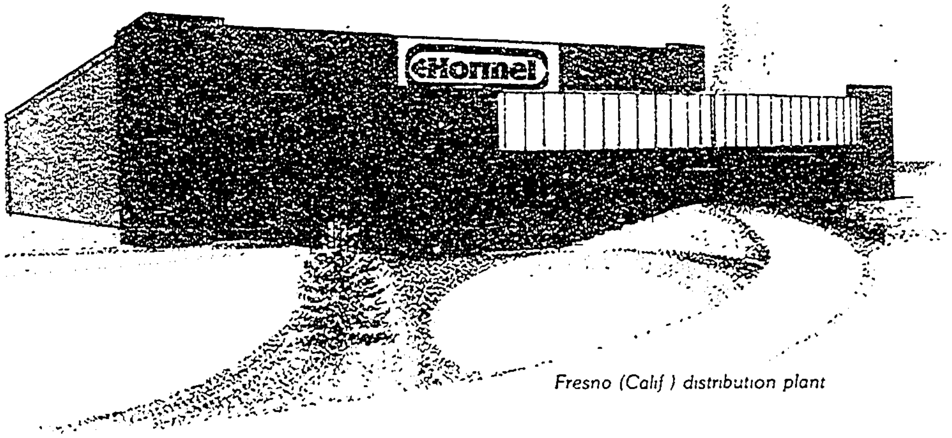
Augmenting this active new plant construction has been an ongoing program to renovate, modernize and expand existing Company facilities.

A 30,000 square foot addition to the Algona (Iowa) dry sausage plant, a 21,000 square foot expansion of the Knoxville (Iowa) dry sausage plant; greatly increased grocery products and smoked meats manufacturing facilities in Fremont, Neb.; a 45,500 square foot warehouse addition in Atlanta, Ga.; expansion of the Dallas (Texas) distribution plant, and renovation of the Los Angeles (Calif.) distribution plant, represents but a small portion of the Company's commitment to steadily increase its production facilities to keep in step with growing marketing potential.

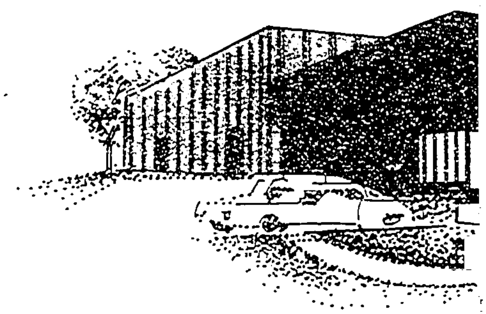
In non-manufacturing areas, a 32,000 square foot addition to the Research & Development Division Building in Austin, Minn., more than tripled in size this "center" for Company research, chemistry and microbiology studies. The Hormel Corporate Offices, also located in Austin, were enlarged, as were office facilities at other plant and distribution plant locations.

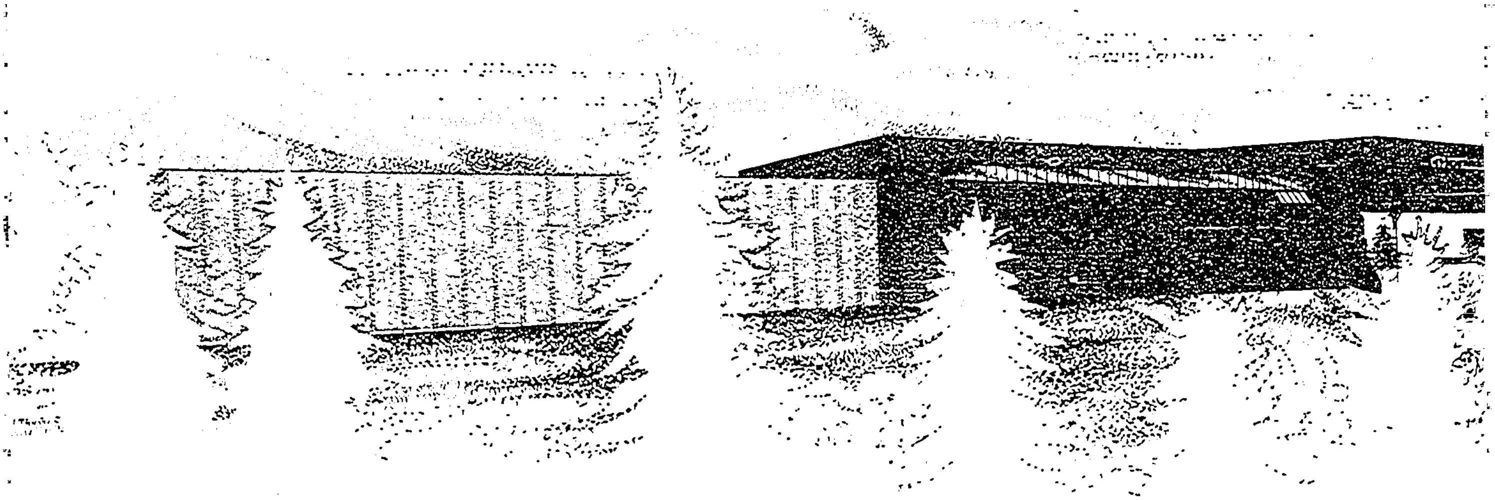
The vision and energy of the people who make up Geo. A. Hormel & Company — all those who provide the skills and talents needed to originate, manufacture and market our products — can be effective only if they are supported by well-planned and modern physical resources. The major capital commitments outlined here reflect a consistent, year-to-year pattern of facility expansion unmatched in the industry. It symbolizes not only the quality of the Company's products and the pride of its employees, but the extent to which Hormel is prepared to meet the marketing challenges of tomorrow.



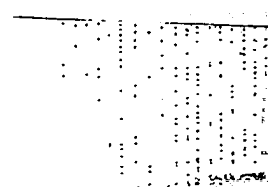


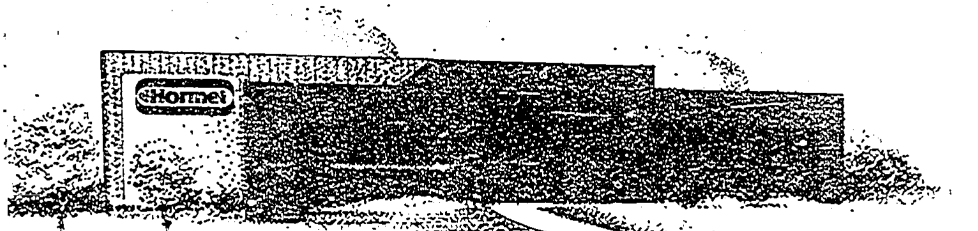
Fresno (Calif) distribution plant

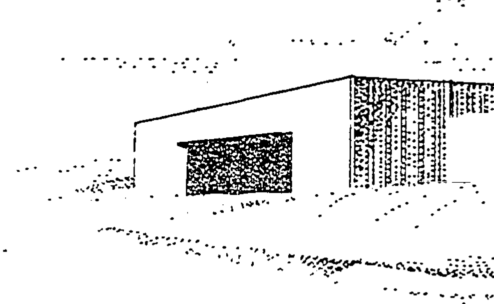




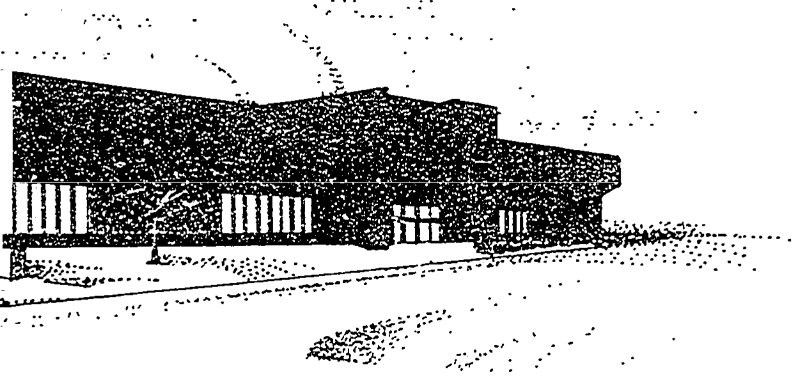
Beloit (Wis) grocery products plant



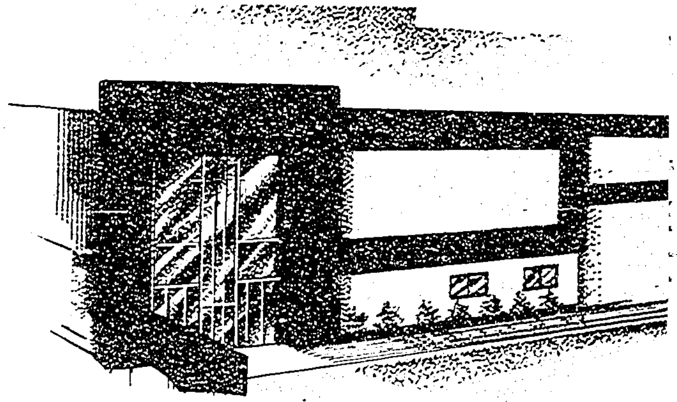




San Francisco (Calif) distribution plant.

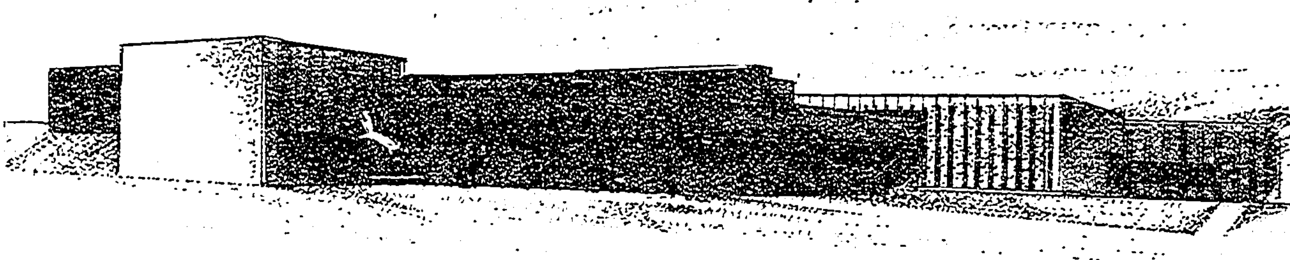


ouston (Texas) meat products plant

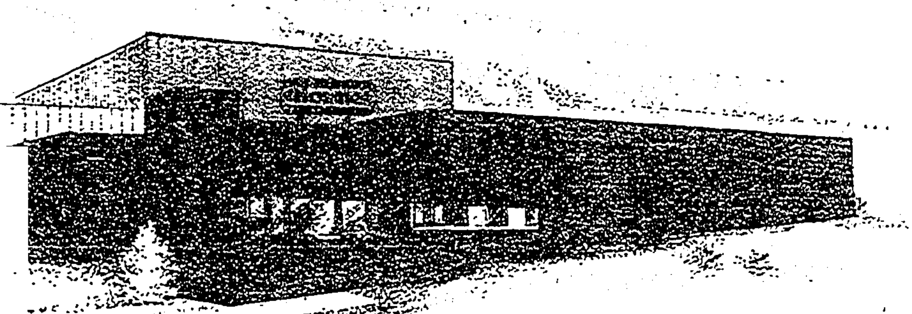


Stockton (Calif) grocery products plant

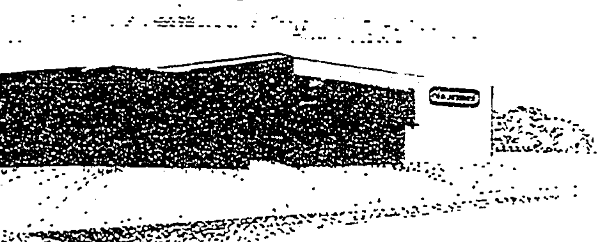
tin (Minn) plant



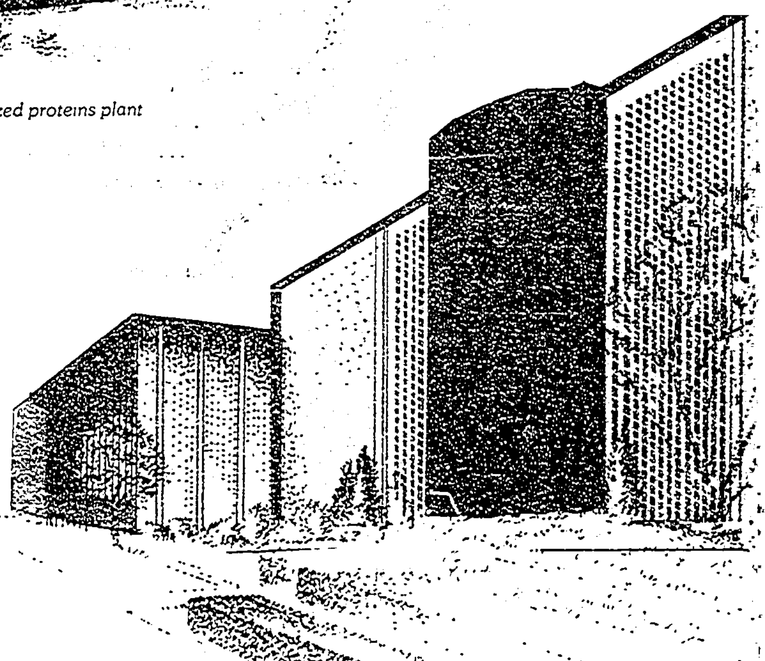
Ottumwa (Iowa) plant



Davenport (Iowa) gelatin/specialized proteins plant



Knoxville (Iowa) dry sausage plant



Research & Development Building.
Austin, Minn

Officers and Directors

R. L. Knowlton, Austin
President
Chief Executive Officer
Director since September, 1974

I. J. Holton, Austin
Chairman of the Executive Committee
Director since February, 1961

Raymond J. Asp, Austin
Executive Vice President
Director since August, 1969

Lee D. Housewright, Jr., Austin
Executive Vice President
Director since August, 1969

William R. Hunter, Austin
Group Vice President
Director since July, 1979

E. C. Alsaker, Austin
Senior Vice President & Treasurer
Director since November, 1969

Robert F. Potach, Austin
Senior Vice President
Elected January 26, 1982
Director since October, 1970

James A. Silbaugh, Austin
Senior Vice President
Elected January 26, 1982

Frank M. Brown, Austin
Vice President
Engineering

John R. Furman, Austin
Vice President
Dry Sausage Division

Robert M. Gill, Austin
Vice President
Personnel & Industrial Relations
Director since August, 1970

James E. Hall, Austin
Vice President
Grocery Products Division
Elected January 26, 1982

Stanley E. Kerber, Austin
Vice President
Meat Products Sales & Distribution Plants

James N. Rieth, Austin
Vice President
Strategic Planning & Development

Robert J. Thatcher, Austin
Vice President
Taxes
Elected April 26, 1982

Robert G. Wells, Austin
Vice President
Pork and Beef Divisions
Elected January 26, 1982

Charles D. Nyberg, Austin
General Counsel & Corporate Secretary

Richard W. Schlange, Austin
Controller
Elected April 26, 1982

Members of the Board of Directors of Geo A Hormel & Company are shown here Pictured (left to right) are Ray V Rose, Clarence G Adamy, Sherwood O. Berg; Gen M Joseph; Donald R Grangaard, Charles D Nyberg, I J Holton; E. C Alsaker; Robert F. Potach.

Walter B. Stevens, Austin
Assistant Treasurer
Finance

Clarence G. Adamy,
Alexandria, Va.
Food Industry Consultant
Former President
National Association of Food Chains
Director since January, 1977

Sherwood O. Berg,
Brookings, S.D.
President
South Dakota State University
Director June, 1969-June, 1973
Re-elected November 29, 1976

Donald R. Grangaard,
Minneapolis, Minn.
Chairman of the Board
First Bank System, Inc.
Director since July, 1974

Geri M. Joseph,
Minneapolis, Minn.
Former U.S. Ambassador to The Netherlands
Director August, 1974-July, 1978
Re-elected April 27, 1981

Lee D. Housewright, Jr.; Raymond J Asp; William R. Hunter, Robert M Gill, and R L. Knowlton

Ray V. Rose,
Colorado Springs, Colo.
Former Supermarket Chief Executive
Elected October 26, 1981

BOARD COMMITTEES

The Board of Directors presently consists of 13 members of whom eight are officers of the Company. Besides meeting monthly as a group to review Company business, the members of the Board of Directors also devote their time and talents to the Board's four standing committees.

Personnel Committee

R. L. Knowlton, chairman
Donald R. Grangaard

The Personnel Committee has two members; one an employee director, the other a non-employee director. This Committee has the authority to review and to make recommendations to the Board of Directors and to the Chief Executive Officer on matters relating to employee compensation, retirement, medical and life insurance benefits and executive development planning.

Contributions Committee

I. J. Holton, chairman
Raymond J. Asp
William R. Hunter

The Contributions Committee has three members, all of whom are employee directors. This Committee is involved in reviewing charitable contributions, many of which are made to activities and organizations in communities in which the Company operates. It evaluates the needs of various organizations and recommends the extent to which corporate financial support should be made available to worthy educational, humanitarian services and civic project endeavors.

Audit Committee

Donald R. Grangaard, chairman
Clarence G. Adamy
Sherwood O. Berg

The Audit Committee, composed entirely of non-employee directors, is responsible for recommending the independent certified public accountants to conduct the annual audit of the Company's financial statements. The Committee reviews activities and matters pertaining to the audit, including systems of internal control and accounting policies and procedures, approves services provided by the independent auditors and directs and supervises investigations into matters within the scope of its duties.

Executive Committee

I. J. Holton, chairman
R. L. Knowlton
Raymond J. Asp
Lee D. Housewright, Jr.
William R. Hunter
E. C. Alsaker
Robert F. Potach
Robert M. Gill

The Executive Committee has eight members, all of whom are employee directors. This Committee has most of the powers of the Board of Directors and can act when the Board is not in session.


FINANCIA

The accompanying financial statements were prepared by the management of Geo. A. Hormel & Company which is responsible for their integrity and objectivity. These statements have been prepared in accordance with generally accepted accounting principles appropriate in the circumstances, and, as such, include amounts that are based on our best estimates and judgments.

Geo. A. Hormel & Company has developed a system of internal controls designed to assure that the records reflect the transactions of the Company and that the established policies and procedures are adhered to. This system is augmented by well-communicated written policies and procedures, a strong program of internal audit, and well-qualified personnel.

These financial statements have been examined by Ernst & Whinney, independent certified public accountants, and their report appears on page 46. Their examination is conducted in accordance with generally accepted audit standards and includes a review of the Company's accounting and financial controls and tests of transactions.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent public accountants, management, and the internal auditors to assure that each is carrying out its responsibilities. Both Ernst & Whinney and our internal auditors have full and free access to the Audit Committee with or without the presence of management, to discuss the results of their audit work and their opinions on the adequacy of internal controls and the quality of financial reporting.

R.W. SCHLANGE
Controller

R.L. KNOWLTON
President and Chief Executive Officer

(Thousands of Dollars)

OPERATIONS	1982	1981*	1980
Net Sales	$1,426,596	$1,433,966	$1,321,966
Net Earnings	28,051	27,283	32,758
Percent of Sales	1.97%	1.90%	2.48%
Wage Costs	269,964	270,522	254,30[illegible]
Total Taxes (excluding Payroll Tax)	22,805	18,796	28,077
Depreciation	17,587	13,887	13,452
FINANCIAL POSITION			
Working Capital	$ 69,527	$ 59,440	$ 69,84[illegible]
Properties (net)	276,684	228,813	160,825
Total Assets	488,859	425,065	355,85[illegible]
Long-Term Debt — Less Current Maturities	88,264	65,834	28,495
Stockholders' Investment	245,570	226,741	208,296
PER SHARE OF COMMON STOCK			
Net Earnings	$ 2.92	$ 2.84	$ 3.4[illegible]
Dividends	.96	.92	.84
Stockholders' Investment	25.56	23.60	21.68

*53 Weeks

1979	1978	1977	1976*	1975	1974	1973
,414,016	$1,244,865	$1,106,274	$1,094,832	$995,593	$943,163	$825,671
29,970	19,471	21,499	14,352	12,863	16,916	7,191
2.12%	1.56%	1.94%	1.31%	1.29%	1.79%	.87%
233,878	201,633	192,590	180,236	167,951	151,920	129,823
27,635	17,997	22,857	13,844	12,703	17,679	8,525
12,102	11,551	11,312	10,697	9,140	7,667	7,125
84,646	$ 77,523	$ 68,479	$ 54,055	$ 64,350	$ 48,659	$ 34,256
119,213	103,992	99,921	97,465	85,398	74,392	67,481
323,149	279,495	262,801	233,384	224,488	193,696	179,950
28,749	28,993	28,226	27,703	25,920	8,060	
183,608	160,747	147,808	131,689	122,141	113,697	100,872
3.12	$ 2.03	$ 2.24	$ 1.49	$ 1.34	$ 1.76	$ .75
.74	.68	.56	.50	.46	.42	.41
19.11	16.73	15.39	13.71	12.71	11.84	10.50

GEO. A. HORMEL & COMPANY

		October 30, 1982		October 31, 1981
		(Thousands of Dollars)		
ASSETS				
CURRENT ASSETS				
Cash	$	12,096	$	7,697
Short-term marketable securities — at cost which approximates market		10,653		12,925
Accounts receivable		79,736		75,880
Inventories of products, livestock, packages and supplies — Note B		95,234		89,690
Income tax receivable		2,652		
Prepaid expenses		1,943		771
TOTAL CURRENT ASSETS		202,314		186,963
INVESTMENTS AND OTHER ASSETS		9,861		9,289
PROPERTY, PLANT AND EQUIPMENT				
Land		3,625		3,648
Buildings		101,925		76,983
Equipment		280,841		169,163
Construction in progress — Notes F and H		9,744		99,876
		396,135		349,670
Less allowance for depreciation		(119,451)		(120,857)
		276,684		228,813
	$	488,859	$	425,065

LIABILITIES AND STOCKHOLDERS' INVESTMENT	October 30, 1982	October 31, 1981
	(Thousands of Dollars)	
CURRENT LIABILITIES		
Notes payable	$ 284	$ 369
Accounts payable	49,407	47,411
Accrued expenses	13,107	13,415
Employee compensation	59,210	53,426
Taxes other than federal income tax	8,193	7,111
Dividends payable	2,306	2,210
Federal income tax		3,314
Current maturities of long-term debt	280	267
TOTAL CURRENT LIABILITIES	132,787	127,523
LONG-TERM DEBT — less current maturities — Note C	88,264	65,834
DEFERRED INCOME TAXES — Note E	22,238	4,967
STOCKHOLDERS' INVESTMENT		
Common Stock, par value $.9375 a share — authorized 12,000,000 shares, issued — 9,606,516 shares	9,006	9,006
Additional paid-in capital	2,761	2,761
Earnings reinvested in business	233,803	214,974
	245,570	226,741
	$ 488,859	$ 425,065

See notes to financial statements.

GEO. A. HORMEL & COMPANY

	Fiscal Year Ended		
	October 30, 1982	October 31, 1981	October 25, 1980
	(Thousands of Dollars)		
Sales, less returns and allowances	**$ 1,426,596**	$ 1.433,966	$ 1,321,966
Costs and expenses:			
Cost of products sold	**1,221,177**	1,224,910	1,113,622
Selling and delivery	**137,479**	140,327	127,921
Administrative and general	**25,485**	25,359	22,330
Other expense (income)	**(4,193)**	124	(669)
Interest	**1,559**	2,346	1,908
	1,381,508	1,393,066	1,265,112
EARNINGS BEFORE INCOME TAXES	**45,088**	40,900	56,854
Provision for income taxes — Note E	**17,037**	13,617	24,096
NET EARNINGS	**$ 28,051**	$ 27,283	$ 32,758
EARNINGS PER SHARE	**$ 2.92**	$ 2.84	$ 3.41

See notes to financial statements.

GEO. A. HORMEL & COMPANY

	Fiscal Year Ended October 30, 1982	October 31, 1981	October 25, 1980
	(Thousands of Dollars)		
Working capital at beginning of year	$ 59,440	$ 69,843	$ 84,646
Additions:			
From operations:			
Net earnings for the year	28,051	27,283	32,758
Provision for depreciation	17,587	13,887	13,452
Deferred income taxes	17,271	5,540	4,100
TOTAL FROM OPERATIONS	62,909	46,710	50,310
Additions to long-term debt	52,747	37,606	
Carrying value of disposals of property, plant and equipment	886	647	604
	116,542	84,963	50,914
Deductions:			
Payments and maturities of long-term debt	30,317	267	254
Additions to property, plant and equipment	66,344	82,522	55,669
Cash dividends on Common Stock	9,222	8,838	8,069
Increase in investments and other assets	572	3,739	1,725
	106,455	95,366	65,717
INCREASE (DECREASE) IN WORKING CAPITAL	10,087	(10,403)	(14,803)
WORKING CAPITAL AT END OF YEAR	$ 69,527	$ 59,440	$ 69,843
CHANGES IN COMPONENTS OF WORKING CAPITAL			
Increase (decrease) in current assets:			
Cash	$ 4,399	$ (187)	$ (2,412)
Short-term marketable securities	(2,272)	3,161	(28,355)
Accounts receivable	3,856	2,491	4,882
Inventories	5,544	(6,328)	18,188
Federal income tax receivables	2,652		
Prepaid expenses	1,172	(1,079)	1,164
	15,351	(1,942)	(6,533)
Increase (decrease) in current liabilities:			
Notes payable	(85)	(257)	151
Accounts payable	1,996	2,693	6,758
Accrued expenses	(308)	3,391	2,372
Employee compensation	5,784	3,486	4,572
Taxes other than federal income tax	1,082	(2,162)	1,277
Dividends payable	96	192	240
Federal income tax	(3,314)	1,106	(7,111)
Current maturities of long-term debt	13	12	11
	5,264	8,461	8,270
INCREASE (DECREASE) IN WORKING CAPITAL	$ 10,087	$ (10,403)	$ (14,803)

See notes to financial statements.

GEO. A. HORMEL & COMPANY

OCTOBER 30, 1982

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The financial statements include the accounts of Geo. A. Hormel & Company and all of its majority-owned subsidiaries after elimination of all significant intercompany accounts, transactions and profits. Investments in unconsolidated foreign companies are included in the financial statements at the Company's cost therein.

Segment Information: Hormel is engaged in a single business segment designated as "meat and food processing". As a federally inspected food processor, it slaughters livestock for processing into meat products which are sold at the wholesale trade level. Export sales account for less than 2% of sales. No customer accounts for more than 4% of sales.

Inventories: Inventories are valued at the lower of cost or market. Livestock and the materials portion of products are determined by the first-in, first-out method. Inventoriable expenses, packages and supplies are determined by the last-in, first-out method.

Oil and Gas Programs: Investments and other assets include $6,293,000 and $5,672,000 as of October 30, 1982 and October 31, 1981, respectively, representing unamortized costs incurred in various oil and gas programs. Costs to acquire property interests, whether proved or unproved, are capitalized when incurred as are all development costs relating to productive oil and gas wells. Exploratory dry hole costs are expensed as incurred. Capitalized costs of properties which become productive are amortized in relation to production.

Property, Plant and Equipment: Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the related assets.

Pension Plans: The Company has several pension plans covering substantially all of its employees. The Company's policy is to fund pension costs accrued which includes amortization of prior service costs over a period of thirty years from the date of inception or date of amendment of the plans.

Income Taxes: Provision is made in the financial statements for deferred income taxes arising primarily from timing differences in accounting for depreciation and interest for tax and financial reporting purposes. Investment tax credits are recorded under the flow-through method of accounting as a reduction of the current provision for federal income tax.

Earnings Per Share: Earnings per share of Common Stock are based on the weighted average number of shares outstanding during the year.

Fiscal Year: The Company's fiscal year ends on the last Saturday in October. Fiscal years 1982 and 1980 consisted of 52 weeks; fiscal 1981 consisted of 53 weeks.

NOTE B — INVENTORIES

Inventoriable expenses, packages and supplies amounting to approximately $24,400,000 at October 30, 1982, $21,300,000 at October 31, 1981 and $22,600,000 at October 25, 1980, are stated at cost determined by the last-in, first-out method, and are $17,700,000, $18,200,000 and $14,600,000 lower in the respective years than such inventories determined under the first-in, first-out method.

(Continued)

NOTE C — LONG-TERM DEBT AND OTHER BORROWING ARRANGEMENTS

Long-term debt consists of:

	October 30, 1982	October 31, 1981
	(Thousands of Dollars)	
Three-Year Extendible Notes	$ 50,000	
9% notes — due 1985	25,000	$ 25,000
Commercial paper	7,569	37,606
Capitalized leases	5,975	3,495
	88,544	66,101
Less current maturities	280	267
	$ 88,264	$ 65,834

On September 1, 1982, the Company issued $50,000,000 of Three-Year Extendible Notes at an initial interest rate of 13.25%. The Company can adjust the rate on September 1 in each of the years 1985, 1988 and 1991 ("adjustment dates") to a rate no lower than 102% of the Three-Year Treasury Rate. The notes are also redeemable at the option of the holder in whole or in part, at 100% of its principal amount plus accrued interest, on each of the "adjustment dates" shown above. The notes will mature on September 1, 1994, if not previously redeemed.

The Company has a revolving credit/term loan agreement with three banks enabling it to borrow up to $65,000,000 through October 15, 1984. The outstanding balance at that date can be converted to term notes payable in annual installments through 1988. The interest rate on outstanding borrowing is based upon a formula contained in the agreement which, in general, results in a rate equal to and floating with the U.S. prime rate. 1/2% above the London Interbank Offering Rate, or 3/4% above the bank's certificate of deposit rate, at the Company's option. In addition, a commitment fee of 3/8% per annum is payable on the unused portion of the revolving credit commitment.

Short-term commercial paper of $7,569,000 at October 30, 1982 and $37,606,000 at October 31, 1981 have been reclassified to long-term debt reflecting the Company's intention to refinance these amounts during the subsequent fiscal year through either continued short-term borrowing or utilization of available revolving bank credits.

The note agreements contain certain provisions and restrictions relating to limitations on liens, sale and leaseback arrangements, and funded debt. The revolving credit agreement requires the Company to maintain certain financial ratios and meet certain net worth and indebtedness tests. The Company is in compliance with these covenants at October 30, 1982.

At October 30, 1982, the Company had unused lines of credit of $79,000,000 comprised of $14,000,000 for short-term borrowing and $65,000,000 (in the form of revolving credits) for long-term borrowing. Of the available revolving credits, $7,569.000 was utilized by the Company as backup for the outstanding commercial paper.

In connection with the lines of credit to support short-term commercial paper borrowings, the Company generally maintains average compensating balances, based upon bank ledger balances adjusted for uncollected funds, equal to 5% of the banks' commitments plus 5% of borrowings. Based upon outstanding borrowings and total bank commitments at October 30, 1982, the Company should maintain average compensating balances of approximately $725,000, which stated in terms of the Company's book balances is approximately $2,225,000. The difference is attributable to uncollected funds. During the year ended October 30, 1982, the Company maintained average collected balances of approximately $885,000 (including $723,000 relating to its average unused lines of credit). Compensating balances are not restricted as to withdrawal.

Maturities of long-term debt for the five fiscal years subsequent to October 30, 1982 are as follows: 1983 — $280,000; 1984 — $291,000; 1985 — $27,197,000; 1986 — $2,211,000; 1987 — $3,732,000.

(Continued)

NOTE D — PENSION PLANS

Contributions to the Company's pension plans for 1982, 1981 and 1980 were $17,900,000, $16,900,000 and $16,110,000, respectively. Approximately two-thirds of the pension costs relate to union plans. Accumulated plan benefit information, as estimated by consulting actuaries, and plan net assets for the Company's plans as of the latest valuation dates were:

	October 31, 1981	October 25, 1980
	(Thousands of Dollars)	
Actuarial present value of accumulated plan benefits:		
Vested	$ 229,435	$ 206,751
Non-vested	9,849	16,630
	$ 239,284	$ 223,381
Net assets available for benefits	$ 175,493	$ 169,299

The interest assumption used in determining the actuarial present value of accumulated plan benefits for both years was 7%.

NOTE E — INCOME TAXES

The components of the provision for income taxes are as follows:

	1982	1981	1980
	(Thousands of Dollars)		
Current:			
U.S. Federal	$ (195)	$ 7,578	$ 18,114
Foreign	55	237	249
State	(94)	262	1,633
	(234)	8,077	19,996
Deferred:			
U.S. Federal	15,878	5,044	3,928
State	1,393	496	172
	17,271	5,540	4,100
	$ 17,037	$ 13,617	$ 24,096

Included in the provision for deferred federal income tax is the effect of timing differences for depreciation (1982 — $9,180,000; 1981 — $2,261,000; 1980 — $1,365,000) and interest costs (1982 — $4,995,000; 1981 — $3,676,000; 1980 — $491,000).

Income taxes have not been provided on net income on $1,117,000 accumulated in the Company's Domestic International Sales Corporation (DISC) through 1982.

Reconciliation of the statutory federal income tax rate to the Company's effective tax rate follows:

	1982	1981	1980
U.S. statutory rate	46.0%	46.0%	46.0%
State taxes on income, net of federal tax benefit	1.6	1.0	1.7
Investment tax credits	(11.9)	(16.1)	(6.8)
All other, net	2.1	2.4	1.5
Effective tax rate	37.8%	33.3%	42.4%

NOTE F — CAPITALIZED INTEREST

Interest costs of $10,953,000, $8,000,000 and $1,068,000 incurred during fiscal 1982, 1981 and 1980, respectively, were capitalized as part of the cost of newly constructed manufacturing facilities.

(Continued)

NOTE G — LEASES

Rental expense and future lease commitments are not material.

NOTE H — CONSTRUCTION IN PROGRESS

The estimated costs to complete construction in progress at various locations at October 30, 1982 is approximately $1,191,000.

NOTE I — QUARTERLY RESULTS OF OPERATIONS (Unaudited)

The following tabulation reflects the unaudited quarterly results of operations for the years ended October 30, 1982 and October 31, 1981.

1982	Net Sales	Gross Profit	Net Earnings	Earnings Per Share
	(Thousands of Dollars)			
First Quarter	$ 347,074	$ 59,598	$ 11,179	$ 1.16
Second Quarter	342,113	50,351	5,643	.59
Third Quarter	355,870	41,897	1,974	.21
Fourth Quarter	381,539	53,573	9,255	.96
	$ 1,426,596	$ 205,419	$ 28,051	$ 2.92
1981				
First Quarter	$ 354,240	$ 46,369	$ 4,905	$ .51
Second Quarter	340,987	56,555	8,069	.84
Third Quarter	342,461	50,935	6,848	.71
Fourth Quarter*	396,278	55,197	7,461	.78
	$ 1,433,966	$ 209,056	$ 27,283	$ 2.84

*Includes 14 weeks

The estimated LIFO provision accrued through the third quarter of 1982 was reversed in the fourth quarter, increasing net earnings by $1,635,000. Reduced operating costs resulting from the closing of the old Austin (Minn.) plant and substantial portions of the Fort Dodge (Iowa) plant in the fourth quarter of 1982 effectively eliminated the cost increases in inventoriable expenses anticipated for the year.

NOTE J — SUPPLEMENTAL INFORMATION ON THE EFFECTS OF INFLATION (Unaudited)

The following supplemental information is presented to comply with Statement No. 33 issued by the Financial Accounting Standards Board (FASB), "Financial Reporting and Changing Prices". The disclosures were developed for the purpose of measuring the effect of inflation on the operations of companies.

It is important that financial statement users understand that the disclosures attempt to measure the effect of inflation on Hormel, yet they are experimental in nature and should be used with caution in making comparisons with other companies since assumptions and methodology used in preparing the disclosures may vary among companies.

Traditional financial statements prepared using generally accepted accounting principles are based on transactions entered into and completed using the historical dollar and are not designed to show all the effects of inflation. The disclosures of FASB Statement No. 33 require adjusting the historical statement of earnings and certain assets and liabilities by two different methods: current cost and constant dollar.

The current cost method used by the Company values fixed assets and inventories presently owned at their current cost at year-end. Depreciation expense and cost of products sold are based on these values, except for depreciation expense for the manufacturing facility in Austin, Minnesota, which was replaced in late 1982 by a new facility. Depreciation expense prior to the opening of the new facility was based on the cost to complete the new plant offset by the present value of operational

(Continued)

savings anticipated over the life of the facility. The constant dollar method values fixed assets and inventories by applying the Consumer Price Index to the historical cost of fixed assets and inventories to bring the cost up to average fiscal 1982 purchasing power. Depreciation expense and cost of products sold are based on these restated values.

The provision for income taxes included in the supplemental statement of earnings is the same as reported in the historical statement of earnings. Present tax laws do not allow deductions for higher depreciation adjustments for the effects of inflation. During periods of persistent inflation and rapidly increasing prices, such a tax policy frequently results in effective tax rates in excess of statutory rates.

Earnings Adjusted for Inflation for the Year Ended October 30, 1982	**Current Cost**	**Constant Dollar**
	(Thousands of Dollars)	
Earnings before taxes as reported in the historical Statement of Earnings	$ 45,088	$ 45,088
Excess of adjusted cost of products sold over historical cost of products		(1,573)
Excess of adjusted depreciation over historical depreciation	(2,070)	(3,198)
Adjusted earnings before income taxes	43,018	40,317
Provision for income taxes as reported in the historical Statement of Earnings	(17,037)	(17,037)
Adjusted earnings	$ 25,981	$ 23,280
Adjusted earnings per share	$ 2.70	$ 2.42
Adjusted net assets at year-end	$ 316,975	$ 318,709

ADJUSTED EARNINGS — CURRENT COST

Earnings adjusted for the current cost method are $25,981,000 compared to historical earnings of $28,051,000. The impact of inflation on the Company's earnings measured under the current cost method is small because of the rapid turnover of meat inventories and the application of the LIFO inventory method for all other inventories and because of the continuing effort of the Company to increase productivity by maintaining technologically current manufacturing facilities.

ADJUSTED EARNINGS — CONSTANT DOLLAR

The adjusted earnings for constant dollar method are $23,280,000 and differ from adjusted earnings for the current cost method because the historical cost of products sold must be adjusted by the Consumer Price Index to reflect average fiscal 1982 purchasing power. This adjustment does not present true market conditions since selling prices of the Company's products are responsive to current costs.

Purchasing Power Gain Due to Net Monetary Liabilities Position

During fiscal 1982, the Company maintained a net monetary liability position, which means monetary liabilities (current liabilities and long-term debt) exceeded monetary assets (cash, accounts receivable and marketable securities). With prices increasing during 1982, the net monetary liability position resulted in a gain of general purchasing power of $5,203,000.

Increases in Current Cost of Inventories and Properties

Under current cost accounting, increases in specific prices of inventories and properties held during the year (including realized gains and losses on those sold or used) are not included in earnings but are presented separately. The current cost increase is reduced by the effect of general inflation measured by applying the annual rate of change in the CPI to the average current cost balances of inventories and properties. The increase in current cost for fiscal 1982 consists of the following amounts:

(Continued)

	(Thousands of Dollars)
Increase during 1982 in the value of inventories and property, plant and equipment in constant dollars	$20.634
Increase in current cost during 1982	15,716
Excess of increase in general price level over increase in current cost during 1982	$ 4.918

On October 30, 1982, current cost of inventory was $113,043,000 and current cost of property, plant and equipment, net of accumulated depreciation, was $337,622,000. Historical costs were $95,234,000 and $276,684,000, respectively.

COMPARISON OF SELECTED SUPPLEMENTAL FINANCIAL DATA ADJUSTED FOR EFFECTS OF INFLATION

	Year Ended in October				
	1982	1981	1980	1979	1978
	(Thousands of Dollars)				
Net sales:					
Historical	$ 1,426,596	$ 1,433,966	$ 1,321,966	$ 1,414,016	$ 1,244,865
Constant dollars	1,426.596	1,535,302	1,567,685	1,905,039	1,855,664
Earnings:					
Historical	28,051	27,283	32,758		
Constant dollars	23,280	19,477	27,156		
Current cost	25,981	26,990	36,037		
Earnings per share:					
Historical	2.92	2.84	3.41		
Constant dollars	2.42	2.03	2.82		
Current cost	2.70	2.81	3.74		
Excess of increase in general price level over increase in specific prices of inventories and properties	4,918	21,530	10,262		
Purchasing power gain from holding net monetary liabilities during the year	5,203	8,554	3,796		
Net assets at year-end:					
As reported	245,570	226,741	208,296		
Constant dollars	318,709	297,965	295,273		
Current cost	316,975	298,990	295,079		
Cash dividends per share:					
Historical	.96	.92	.84	.74	.68
Constant dollars	.96	.98	.99	.99	1.02
Market price per share at year-end:					
Historical	23.88	15.75	19.12	16.16	12.25
Constant dollars	23.31	16.05	21.62	20.46	17.50
Average consumer price index	287.1	268.5	242.1	213.1	192.6

To the Stockholders and
Board of Directors
Geo. A. Hormel & Company
Austin, Minnesota

We have examined the statements of financial position of Geo. A. Hormel & Company as of October 30, 1982 and October 31, 1981, and the related statements of earnings and changes in financial position for each of the three years in the period ended October 30, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Geo. A. Hormel & Company at October 30, 1982 and October 31, 1981, and the results of its operations and changes in its financial position for each of the three years in the period ended October 30, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Whinney

Minneapolis, Minnesota
November 22, 1982

Liquidity and Sources of Capital

The Company generated working capital from operations of $50,310,000 in 1980, $46,710,000 in 1981, and $62,909,000 in 1982. Deferred income taxes increased $11,731,000 and depreciation $3,700,000 in 1982 over 1981. Current financial resources and anticipated funds from operations are expected to be adequate to meet requirements for funds in the year 1983.

Cash flow from operations, plus the sales of short-term commercial paper, which was replaced in part by $50,000,000 of Three-Year Extendible Notes issued on September 1, 1982, as outlined in Note C of the financial statements, have been the principal sources of funds to finance the historically large capital expenditures during this three-year period. Additions to property, plant and equipment rose from $55,669,000 in 1980 to $82,522,000 in 1981 and were $66,344,000 in 1982. The principal capital expenditure was the 1,089,000 square foot Austin (Minn.) replacement plant which opened in late 1982. Capital expenditures in fiscal 1983 will be significantly below the level of previous years and will be directed in the areas of automation and renovation of existing manufacturing facilities.

The revolving credit/term loan agreement with three banks, as discussed in Note C of the financial statements, has been reduced to $65,000,000 and is backup for the Company's short-term commercial paper borrowing.

For a discussion of the estimated impact of inflation on the Company's financial statements see pages 43 through 45, which contain the supplementary information on inflation that is required by Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices."

Results of Operations

Sales and gross earnings in the meat packing industry are influenced to a significant degree by the fluctuating cost of livestock and consumers' demand for meat products. The following discussion analyzes material changes in the major items:

1982 and 1981

Net sales totaled $1,426,596,000, down 0.5 percent from the $1,433,966,000 reported in 1981. The slight decrease in sales was partly a reflection of a 53-week year in 1981 versus a 52-week year in 1982. The closing of a major part of the Fort Dodge (Iowa) plant in June and the changeover to the new Austin (Minn.) plant contributed to the slightly lower sales tonnage for 1982. The impact on sales caused by reduced tonnage, however, was offset by the higher meat raw material costs which were passed through the marketplace in the form of higher prices.

The decline in sales tonnage and the positive earnings impact of LIFO as described in Note I to financial statements resulted in lower costs of products sold in 1982 compared to 1981, even though meat raw materials costs were higher in 1982.

Net interest expense decreased from $2,346,000 in 1981 to $1,559,000 in 1982 because capitalized interest costs increased for the Austin (Minn.) replacement plant. During 1982, $10,953,000 was capitalized as part of construction costs in accordance with Financial Accounting Standards Board Statement No. 34.

Income taxes increased in 1982, due mostly to the reduced investment tax credit. Investment tax credit is applied using the flow-through method of accounting. The effective tax rates for 1982 and 1981 were 37.8% and 33.3%, respectively.

Depreciation in 1982 increased $3,700,000 to $17,587,000, compared to $13,887,000 in 1981. The Company's long-term program of capital investments over the past few years has resulted in increased depreciation expense.

Other income increased substantially to $4,193,000 in 1982 compared to a net expense in 1981 of $124,000, due primarily to an increase of $1,800,000 in capital gains realized on the sale of property, reduction in oil and gas expenditures of $800,000 and increases in interest and investment income.

(Continued)

1981 and 1980

Sales increased $112,000,000, or 8.5% over 1980. The increase was a reflection of higher prices as well as recognition of a 53-week year in 1981 versus a 52-week year in 1980. Tonnage in 1981 declined slightly, 2.3%, which is largely attributed to the closing of the Company's Scottsbluff (Neb.) contract beef plant. The increase in cost of products sold during 1981 was due principally to higher costs for livestock, payroll taxes, utilities, packaging and supplies. Selling, delivery and administrative expenses increased $15,435,000, or 10.3%, compared to 1980, reflecting higher costs for salaries, fringe benefits and transportation.

Advertising costs increased $4,368,000, or 24.6%, over 1980 due to higher media costs and the Company's strategy to increase sales of branded products.

Income taxes were $13,617,000 for 1981 and $24,096,000 for 1980 with an effective tax rate of 33.3% and 42.4%, respectively. Investment tax credit is applied using the flow-through method which reduced the effective rate below the statutory 46% rate.

Earnings of $27,283,000 were 16.7% lower than 1980; however, net income for 1981 was the third highest in the Company's history, exceeded only in 1980 and 1979, respectively. Prices for meat at retail during 1981 were inadequate to provide acceptable margins for producers and meat processors throughout the industry. Net income equaled 1.90 cents per dollar of sales in 1981 and 2.48 cents per dollar of sales in 1980.